THE Freeman

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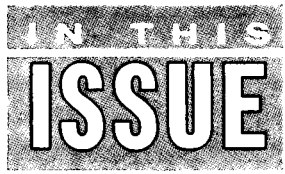

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Anyone wishing to communicate with authors may send first-class mail in care of THE FREEMAN for forwarding.

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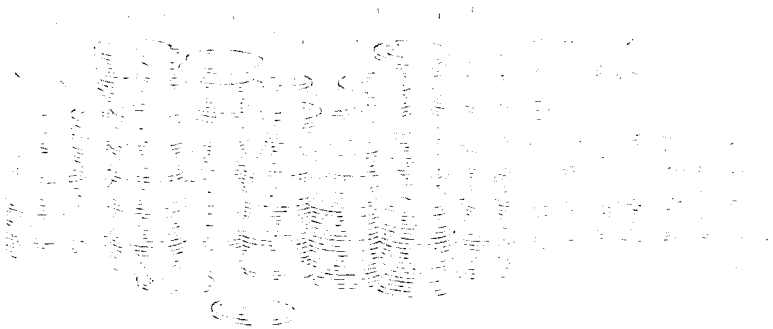

HOW MUCH MONEY?

PERCY L. GREAVES, JR.

MOST PEOPLE want more money. So do I. But I wouldn't keep it long. I would soon spend it for the things I need or want. So would most people. In other words, for most of us, more money is merely a means for buying what we really want. Only misers want more money for the sake of holding onto it permanently.

However, if more money is to be given out, most of us would like to get some of it. If we can't get any for ourselves, the next best thing, from our viewpoint, would be for it to be given to those who might buy our goods or services. For then it is likely their increased spending would make us richer.

From such reasoning, many have come to believe that spreading more money around is a good thing – not only for their personal needs, but also for solving most all of the nation's problems. For them, more money becomes the source of prosperity. So they approve all sorts of government programs for pumping more money into the economy.

If such programs are helpful, why not have more money for everyone? Why not have the government create and give everyone $100 or $200 or, better yet,

Mr. Greaves is a free-lance economist and lecturer.

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$1,000? Why not have the government do it every year or every month or, better yet, every week?

Of course, such a system would not work. But why not? When we understand why not, we will know why every attempt to create prosperity by creating more money will not work. When we have learned the answer, we shall have taken a long step toward eliminating the greatest cause of both human misery and the decay of great civilizations.

One way to find the answer is to analyze the logic which seemingly supports the idea that more money in a nation's economy means more prosperity for all. If we can spot an error in the chain of reasoning, we should be able to make it clear to others. Once such an error is generally recognized, the popularity of government money-creation programs will soon disappear. Neither moral leaders nor voting majorities will long endorse ideas they know to be false.

Stable Price Argument

Perhaps the basic thought that supports an ever-increasing money supply is the popular idea that more business requires more money: if we produce more goods and services, customers must have more money with which to buy the additional goods and services. From this, it is assumed that the need for prosperity and "economic growth" makes it the government's duty to pump out more purchasing power to the politically worthy in the form of more money or subsidies paid for by the creation of more money.

Support for such reasoning is found in an idea that goes back at least to medieval days. In the thirteenth and fourteenth centuries some of the world's best minds believed there was a "just price" for everything. The "just price" was then thought to be determined by a fixed cost of production. Actual prices might fluctuate slightly from day to day or season to season, but they were always expected to return to the basic "just price," reflecting the supposedly never-changing number of man-hours required for production.

From such thinking, it naturally follows that increased production can only be sold when consumers have more money. More goods might be needed for any of several reasons, let us say for an increased population. However, no matter how much they were needed, they would remain unsold and unused unless buyers were supplied additional funds with which to buy them at, or near, the "just price."

What is the situation in real life? What do businessmen do

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when they have more goods to sell than customers will buy at their asking price?

They reduce prices. They advertise sales at mark-down prices. If that doesn't work, they reduce their prices again and again until all their surplus goods are sold. *Any economic good can always be sold, if the price is right.*

The way to move increased production into consumption is to adjust prices downward. Businessmen, who have made mistakes in judging consumer wants, will suffer losses. Those who provide what consumers prefer will earn profits. Lower prices will benefit all consumers and mean lower costs for future business operations. Under such a flexible price system, there is no need for more money. Businessmen soon learn to convert available supplies of labor and raw materials into those goods for which consumers will willingly pay the highest prices.

What Are Prices?

Prices are quantities of money. They reflect a complex of interrelated market conditions and individual value judgments at any one time and place. Each price reflects not only the available supply of that good in relation to the supply of all other available goods and services, but also the demand of individuals for that good in relation to their demand for all other available goods and services.

But even this is only one side of price-determining factors. The money side must also be taken into consideration. Every price also reflects not only the supply of money held by each market participant, but also – since very few people ever spend their last cent – how much money each participant decides to keep for his future needs and unknown contingencies.

Prices thus depend on many things besides the cost of production. They depend primarily on the relative values that consumers place on the satisfactions they expect to get from owning the particular mixture of goods and services that they select. However, prices also depend on the amount of money available both to each individual and to all individuals. In a free market economy, unhampered prices easily adjust to reflect consumer demand no matter what the total supply of money or who owns how much of it.

What Is This Thing Called Money?

Money is a commodity that is used for facilitating indirect exchange. Money first appeared when individuals recognized the advantages of the division of labor and saw that indirect exchange was easier and more efficient than the

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clumsy, time-consuming direct exchange of barter.

In the earliest days of specialized production, those who made shoes or caught fish soon found that if they wanted to buy a house, it was easier to buy it with a quantity of a universally desired commodity than with quantities of shoes or fresh fish.

So, they first exchanged their shoes or fish for a quantity of that commodity which they knew was most in demand. Such a commodity would keep and not spoil. It could be divided without loss. And most important, all people would value it no matter what the size of their feet or their desire for fish. The commodity which best meets these qualifications soon becomes a community's medium of exchange, or money.

Many things have been used as money. In this country we once used the wampum beads of Indians and the shells found on our shores. As time pased, reason and experience indicated that the commodities best suited for use as money were the precious metals, silver and gold. By the beginning of this century, the prime money of the world had become gold. And so it is today. Gold is the commodity most in demand in world markets.

Money is always that commodity which all sellers are most happy to accept for their goods or services, if the quantity or price offered is considered sufficient. Money is thus the most marketable commodity of a market society. It is also the most important single commodity of a market society. This is so because it forms a part of every market transaction and whatever affects its value affects every transaction and every contemplated transaction.

Kinds of Goods

There are three types of economic goods:

1. Consumers' goods.
2. Producers' goods.
3. Money.

Consumers' goods are those goods which are valued because they supply satisfaction to those who use or consume them. Producers' goods are goods which are valued because they can be used to make or produce consumers' goods. They include raw materials, tools, machines, factories, railroads, and the like. Money is that good which is valued because it can be used as a medium of exchange. It is the only type of economic good that is not consumed by its normal usage.

In the case of consumers' goods and producers' goods, every additional unit that is produced and offered for sale increases the wealth not only of the owner but

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of everyone else. Every additional automobile that is produced not only makes the manufacturer richer but it also makes every member of the market society richer.

How?

The more useful things there are in this world, the larger the numbers of human needs or wants that can be satisfied. The market system is a process for distributing a part of every increase in production to every participant in that market economy. When there is no increase in the money supply, the more goods that are offered for sale, the lower prices will be – and, consequently, the more each person can buy with the limited amount of money he has to spend. So every increase in production for a market economy normally means more for every member of that economy.

On the other hand, when any consumers' goods or producers' goods are lost or destroyed, not only the owner but all members of the market community suffer losses. With fewer goods available in the market place, and assuming no increase in the money supply, prices must tend to rise. Everybody's limited supply of money will thus buy less.

Recently, a Montreal apartment house was destroyed by an explosion. The loss to the occupants and the owners or insurance companies is obvious. The loss to all of us may be less obvious, but nevertheless it is a fact.

The market society has lost forever the services and contributions of all those who were killed. It has also lost for a time the contributions of all those whose injuries temporarily incapacitated them. There is also a loss for all of us in the fact that human services and producers' goods must be used to clear away the wreckage and rebuild what was destroyed. This diversion of labor and producers' goods means the market will never be able to offer the things that such labor and producers' goods could otherwise have been used to produce. With fewer things available in the market, prices will tend to be higher. Such higher prices will force each one of us to get along with a little less than would have been the case if there had been no explosion.

Thus, we are all sufferers from every catastrophe. Be it an airplane crash, a tornado, or a fire in some distant community, we all lose a little bit. And all these little bits often add up to a significant sum.

This is particularly true of war losses. Every American killed in Vietnam hurts every one of us not only in the heart but also in the pocketbook. Our government must supply some monetary com-

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pensation to his family and an income, however little, to his dependents. In such cases, the loss may continue for years. The killed man's services are lost for his normal life span and his dependents become a long-term burden on the nation's taxpayers and consumers. Such losses can never be measured or calculated, but they are real nonetheless.

So, in a market society every increase in consumers' goods or producers' goods permits us to buy more with whatever money we have, and every decrease in consumers' goods or producers' goods means ultimately higher prices and less for our money. Increased supplies of such economic goods help both the producers and everyone else who owns one or more *units of money.*

Limited Goods Available

With money, the situation is quite different. Any increase in the supply of money helps those who receive some of the new supply, but it hurts all those who do not. Those who receive some of the new supply can rush out and buy a larger share of the goods and services in the market place. Those who receive none of the new money supply will then find less available for them to buy. Prices will rise and they will get less for their money.

Pumping more money into a nation's economy merely helps some people at the expense of others. It must, by its very nature, send prices up higher than they would have been, if the money supply had not been increased. Those with no part of the new money supply must be satisfied with less. It does not and cannot increase the quantity of goods and services available.

There are some who claim that increasing the money supply puts more men to work. This can only be so when there is unemployment resulting from pushing wage rates above those of a free market by such political measures as minimum wage laws and legally sanctioned labor union pressures. Under such conditions, increasing the money supply reduces the value of each monetary unit and thus reduces the real value of all wages. By doing this, it brings the higher-than-free-market wage rates nearer to what they would be in a free market. This in turn brings employment nearer to what it would be in a free market, where there is a job for all who want to work.[1]

Those who create and slip new supplies of money into the economy are silently transferring

[1] See "Jobs for All" by Percy L. Greaves, Jr. in the February 1959 issue of THE FREEMAN.

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wealth which rightfully belongs to savers and producers to those who, without contributing to society, are the first to spend the new money in the market place. When this is done by private persons, they are called counterfeiters. Their attempts to help themselves at the expense of others are easily recognized. When caught, they are soon placed where they can add no more to the money supply.

Governments Inflate

In recent generations our major problem has not been private counterfeiters. It has been governments. Over the years, governments have found ways to increase the money supply that not more than one or two persons in a million can detect. This is particularly true when production is increasing and when more and more of the monetary units are held off the market. Nonetheless, whether prices go up or not, every time a government increases the money supply, it is taking wealth from some and giving it to others.

This semi-hidden increase in the money supply occurs in two ways:

One, by the creation and issuance of money against government securities. This is a favorite way to finance government deficits. Government securities that private investors will not buy, because they pay lower-than-free-market interest rates, are sold to commercial banks. The banks pay for such securities by merely adding the price of the securities to government bank accounts. The government can then draw checks to pay suppliers, employees, and subsidy recipients. (This process is encouraged and increased by technical actions and direct purchases of the nation's central bank. In the United States, these powers reside in the Federal Reserve Board, which has not been hesitant about using them.)

The government thus receives purchasing power without contributing anything to the goods and services offered in the market place. It thus gets something for nothing. As a result, there is less available for those spending and investing dollars they have received for their contributions to society. The consequence of such government spending is that prices are higher than they would otherwise have been.

Two, the other major semi-hidden means of increasing the money supply is for banks to lend money to private individuals or organizations by merely creating or adding a credit to the borrowers' checking accounts. In such cases, they are not lending the savings of depositors. They are merely creating dollars, in the form of bank ac-

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counts, by simple bookkeeping entries. The borrowers are thereby enabled to draw checks or ask for newly created money with which to buy a part of the goods and services available in the market place. This means that those responsible for the production of these goods and services must be satisfied with less than the share they would have received if the money supply had not been so increased.

By such systems of money creation, our government and our government-controlled banking system have, from the end of 1945, increased the nation's money supply from $132.5 billion to an estimated $289.9 billion by the end of 1964. This is an increase of $157.4 billion. During the same period, the gold stock, held as a reserve against this money and valued at $35 an ounce, fell from $20.1 billion to $15.4 billion. The increase in the money supply for 1964 amounted to $21.0 billion.[2]

All these new dollars provided the first recipients with wealth which, had there been no artificial additions to the money supply, would have gone to those spenders and investors who received their dollars in return for contributions to society. Last year alone, political favorites were helped to the tune of $21 billion, at the expense of all the nation's producers and savers of real wealth.

These money-increasing policies remain hidden from most people, particularly when prices do not rise rapidly. It is now popular to say there is no inflation unless official price indexes rise appreciably. This popular corruption of the term inflation, originally defined as an increase in the money supply, makes it seem safe for the government to increase the money supply so long as the government's own price indexes do not rise noticeably. So, if these price indexes can somehow be kept down, the government can continue buying or allocating wealth which has been created by private individuals who must be satisfied with less than the free market value of their contributions.

Price Rise Kept Down

Since World War II, there have been two continuing situations which have helped to keep official price indexes from reflecting the full effect of this huge increase in the money supply. The first such situation is that throughout this period American production of wealth has continued to increase.

[2] Figures from the *Federal Reserve Bulletin*, February 1965. Figures for the money supply include those for currency outside of banks, demand deposits, and time deposits of commercial banks which in practice may be withdrawn on demand.

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The second is that during these years foreigners and their banks and governments have taken and held off the market increasing supplies of dollars.

If there had been no upward manipulation of the money supply, the increased production of wealth would have resulted in lower prices. This would have provided more for everyone who earned or saved a dollar. It would also have reduced costs and increased the amount of goods and services that would have been sold at home and abroad.

As it was, with prices rising slowly over the 1945-64 period, the Federal government and our government-controlled banking system have been able to allocate the benefits of increased production, and a little bit more, to favored bank borrowers who pay lower than free market interest rates and those who received Federal funds over and above the sums collected in taxes or borrowed from private individuals or corporations.

Untold billions of dollars have also gone into the hands or bank accounts of international organizations, foreigners, their banks, and governments. Many of these dollar holders consider $35 to be worth more than an ounce of gold. Such dollar holders have felt they could always get the gold and, meanwhile, they can get interest by leaving their dollars on deposit with American banks. Foreign governments could even count such deposits as part of their reserves against their own currencies. For example, the more dollars held by the Bank of France, the more it can expand the supply of French francs. So the inflations of many European governments are built on top of the great increase in their holdings of dollars.

Short term liabilities of American banks to foreigners at the end of 1945 were only $6.9 billion.[3] By the end of last year, they had risen to an estimated $28.8 billion, an increase of $20.9 billion.[4] How many more dollars rest in foreign billfolds or under foreign mattresses cannot even be guessed. Should such foreign dollar holders lose confidence in the ability of their central banks to get an ounce of gold for every $35 presented to our government, more and more of these dollars will return to our shores where their presence will bid up American prices.

This whole process of increasing the money supply by semi-hidden manipulations is not only highly questionable from the viewpoint of morality and economic incen-

[3] Federal Reserve Board "Supplement" to *Banking and Monetary Statistics*, Sec. 15. International Finance.

[4] *Federal Reserve Bulletin* February, 1965.

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tives, but it also has a highly disorganizing effect on the production pattern of our economy. Over the years, as these newly created dollars have found their way into the market, they have forced profit-seeking enterprises to allocate a growing part of production to the spenders of the newly created dollars, leaving less production available for the spenders of dollars which represent contributions to society. Once this artificial creation of dollars comes to an end, as it must eventually, those businesses whose sales have become dependent upon the spending of the newly created dollars will lose their customers.

This will call for a reorganization of the nation's production facilities. Such reorganizations of business have become known as depressions. The depression can be short, with a minimum of human misery, if prices, wage rates, and interest rates are left free to reflect a true picture of the ever-changing demands of consumers and supplies of labor, raw materials, and savings. Private business will then move promptly and efficiently to employ what is available to produce the highest valued mixture of goods and services. Any interference with the free market indicators will not only slow down recovery but also misdirect some efforts and reduce the ability of business to satisfy as much human need as a completely free economy would.

The day of reckoning can only be put off so long. Once the nation's workers and savers realize that such semi-hidden increases in the money supply are appropriating a part of their purchasing power, they may take their dollars out of government bonds, savings banks, life insurance policies, and the like in order to buy goods or invest in real estate or common stocks, and even borrow at the banks to do so. If this trend should develop, the government would soon be forced to adopt sound fiscal and monetary policies.

The same effect might be produced by a rush of foreign dollar holders to spend the dollars they now consider as good as one thirty-fifth of an ounce of gold. In any case, an ever-increasing supply of dollars and ever-increasing prices will eventually bring on a "runaway inflation," unless the government stops its present practices before the situation gets completely out of hand.

The important thing to remember is that increases in the nation's money supply can never benefit the nation's economy. Such increases in the money supply do not and cannot increase the supply of goods and services that a free economy would produce. Such

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inflations of the money supply can only help some at the expense of others. Even such help for the politically favored is at best only temporary. As prices rise, it takes ever bigger doses of new money to have the same effect, and this in turn means still higher prices.

The fact is that no matter what the volume of business may be, any given supply of money is sufficient to perform all the services money can perform for an economy. All that is needed for continued prosperity is for the government to let prices, wage rates, and interest rates fluctuate so that they reveal rather than hide the true state of market conditions.

Under the paper money standard, politicians are easily tempted to keep voting for just a little more spending than last year, and just a little less taxing than last year. The gap can be covered by a semi-hidden increase in the money supply – just a little more than last year. Then, too, the illusions of prosperity are often helped along by an easy money policy – holding interest rates below those of a free market. This tends to increase the demand for loans above the amount of real savings available for lending. The banks then meet the demand for more credit by the bookkeeping device of increasing the bank accounts of borrowers.

Clever financial officials must then find ways to put off the day of reckoning. If gold continues to flow out, private travel, imports, and investments can be blamed and controls instituted. When the first controls do not succeed, more and more controls can be added. When these fail, public attention can always be diverted by a war. War is now generally considered a sufficient excuse for more inflation and a completely controlled economy of the type Hitler established in Germany.

No man or government should ever be trusted with the legal power to increase a nation's money supply at will.

The great advantage of the gold standard is that gold cannot be created by printing presses or by bookkeeping entries. When a country is on the gold standard, politicians who want to vote for spending measures must also vote for increased taxes or sanction the issuance of government securities paying free market interest rates that will attract the funds of private savers and investors. Under a true gold standard, men remain free, the quantity of money is determined by market forces, and both the manipulated inflations and the resulting depressions are eliminated, along with all the poverty and human misery that they cause. ◈

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UNDER A GUM TREE

STANLEY YANKUS

Stanley Yankus moved to Australia some years ago in protest at not being allowed to grow as much wheat as he pleased on his own farm in Michigan for his own chickens without paying a penalty tax. We are pleased to share here a recent letter from him, concerning the practice of freedom.

A SOUTH AMERICAN correspondent asks: "What progress are you making in promoting the ideas of liberty in Australia?"

Australia is a vast country. The nature of my job prevents my wandering off to Toowoomba, Queensland, or some other town a thousand miles away. So how can I promote liberty all over Australia?

Did you ever get the feeling that you can't do much alone? On the surface it seems most of us lack the funds and are ill-equipped to promote freedom without belonging to a large organization. But I'm in favor of two-man conversations held under the shade of an Australian gum tree, or any other convenient place, as one of the best means of promoting liberty. If one's ideas are good, I have faith the ideas will spread like dandelion seeds. If the ideas are worthless like some seeds, they won't even germinate.

To illustrate, let me relate a recent conversation with a libertarian friend concerning the following story:

Back in the days of horse transportation, a group of tourists were being hauled around the countryside by team and wagon. The driver was an expert with his whip. Whenever a fly landed on a horse, the driver flicked it off with a quick snap of the whip. Then a bee land-

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ed on one of the horses, but the driver never moved. One of the curious tourists asked, "Why don't you use your whip on the bee?"

The driver winked his eye knowingly and replied, "The bees are too well organized!"

This story was intended to show that organizations have great powers while individuals have none. But my libertarian friend doesn't eat everything that's put on his plate. He had sharper insights. "Suppose," he said, "you were given the task of eliminating all the bees or all the flies. Which task would seem easier to accomplish? How easy it would be to sneak up on a hive at night and capture the entire organization of bees by throwing a plastic bag over the whole lot. How difficult it would be to catch all the flies. They seem to be everywhere and nowhere, unorganized as they are."

Likewise, the unorganized libertarian can go about his business of promoting liberty unnoticed in the middle of the action taking place. Have you ever noticed how unobtrusive one is while strolling through a crowded shopping center – seen and unseen at once? Edgar Allen Poe in his short story, "The Purloined Letter," illustrated how well a letter could be hidden in plain view on top of the desk.

But what can an unorganized individual do to promote liberty without such tools of communication as newspapers, radio, and TV publicity? After all, what good are the ideas of liberty if no one else knows about them but you?

Hidden Tape Recorders

After purchasing a tape recorder, I eagerly demonstrated my new possession to a family visiting our home. The lady, who heard herself for the first time on the play-back of the tape recording, commented, "I would not like to be recorded secretly by a hidden tape recorder."

Her husband shrewdly observed, "You are tape recorded by every man, woman, and child you talk to. Not only that, you are televised by family, friends, neighbors, and strangers who see you. All of us have mental recollections of facial expressions and conversations we saw and heard many years ago."

Since most of us come in contact with thousands and thousands of individuals during a lifetime, the number of mental tape recordings we leave in other minds becomes difficult to calculate – even for a mathematics professor. All this communication takes place without spending a penny on the publicity of newspapers, radio, and TV. The lesson to derive from an awareness of the multitude of im-

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pressions made on others by our words and behavior is to work toward self-improvement – to make ever better tape recordings of self.

These ideas were not generated by a large organization aiming to reform others, but, rather, by two ordinary individuals who were mutually trading ideas on liberty for their own self-improvement – one hand washing the other. How better can one promote liberty in Australia or elsewhere? ◈

IDEAS ON LIBERTY

How to Advance Liberty

ONCE AN INDIVIDUAL who would advance liberty has settled on self-perfection as correct method, the first fact to bear in mind is that ours is not a numbers problem. Were it necessary to bring a majority into a comprehension of the libertarian philosophy, the cause of liberty would be utterly hopeless. Every significant movement in history has been led by one or just a few individuals with a small minority of energetic supporters. The leaders have come from strange and odd places; they could not have been predicted ahead of time. One, I recall, was born in a manger. Another, the leader of a bad movement, was an Austrian paper hanger. Who, more than any other, will advance liberty in America? I do not know; you do not know; that very individual does not know, for each person is possessed of aptitudes and potentialities about which he or she is unaware.

LEONARD E. READ

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LABOR DRIVES FOR "TOTAL SECURITY"

PAT VINCENT

YOU are hired by the company the day you leave school.

You move up the seniority ladder at a fixed and unalterable pace.

There's no need to make a special effort or develop new skills: your position and pay are fixed by the time you spend on the job.

You receive financial assistance when you marry, later get additional benefits for your children.

You retire at the age of 55.

The worker's paradise?

Not so, say Japanese union leaders about the "lifetime employment plan" which covers approximately 40 per cent of their country's work force. In fact, both labor and management are now trying to find some way of dismantling Japan's tradition-bound system. Unions are restive, pointing out that the worker is stuck with one job for life, has no incentive to develop additional skills, and can't better himself by taking advantage of opportunities in a different industry. Management is hobbled by a work force that is stagnant, regimented, and unadaptable to changing times.

France, West Germany, Belgium, the countries of Latin America, have had "job security" programs for decades, but with no perceptible increase in labor satisfaction. There is always the example of the American "capitalist" worker with his high standard of living, his freedom to move up the economic ladder at his own pace, to goad the security-bound worker of other lands into a realization of his own plight.

Or at least there has been – until now. For the mid-sixties is witnessing a massive drive by the

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labor hierarchy to impose a similar strait jacket on management and employees in this country in the guise of "total security."

Decked out in the full panoply of expensive union propaganda, the term has an undeniable seductiveness: it is all-encompassing, impatient with logic and history. It promises everything to the worker and asks nothing; seemingly, he can't lose.

The Obvious Strategy

The strategy of implementation is becoming clearer day by day. You can see it in the attempt to focus attention on a few untypical situations as universal models, and in the increasing number of theoretical articles being published in those reliable bellweathers, the journals of opinion. "See – it works!" says the first. "And it's an intellectually respectable concept, too," says the second.

Take the case of the total job security program recently negotiated by the United Steelworkers of America with Alan Wood Steel Company. In itself, the program for the 2,500 employees of the small Pennsylvania steel firm would have little if any repercussion on the economy. As a pattern for negotiations with the can industry, steel industry, and all industry, however, it has been moved to the center of the labor arena with deliberate fanfare by United Steelworkers' president, David J. McDonald. Here, he has said in effect, is the shape of things to come.

The basics of the contract are familiar to everyone by now. For each worker, a guaranteed average rate of earnings which will "protect" him from a reduction of more than 5 per cent because of demotion or other job changes by management; a guarantee of 38 hours pay for each week in which an employee works, even though he is on the job only part of the time; payment to each worker with 10 or more years tenure of the equivalent of 85 per cent of his pay should he be laid off, until retirement; and sharing with all employees 32.5 per cent of savings achieved through labor or materials efficiencies.

No Mention of Weaknesses

In "selling" this program to the country, labor spokesmen make no mention of the many factors in the program which have caused disillusionment abroad, such as the worker's loss of mobility and versatility, the discounting of incentives, the sapping of individual initiative, and the inability of companies to compete or even stay in business under this kind of financial burden.

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Instead, any suspicion as to the economic feasibility of the program is to be allayed by the intellectuals. Providing an ideological base from which to influence the mass media is their role in the strategy of implementation. And just what is the philosophical justification for "total security"? Just how is this concept to be structured into American life?

Here is Robert Theobald, author of *Free Men and Free Markets*, writing in *The Commonweal* of September 4, 1964: ". . . we had to develop a new, human and constitutional right – the right to an income. . . . Every citizen who has resided in the United States for a period of five consecutive years should be guaranteed the right to an income sufficient to enable him to live with dignity. No government agency, judicial body or other organization whatsoever should have the right to suspend or limit any payment assured by this guarantee."

As Mr. Theobald candidly states, this concept "justifies income without toil."

And how is this total security to be paid for?

By penalizing each employee who has the ambition and initiative to develop and market his skills beyond an arbitrarily fixed point. To quote Mr. Theobald, "We should establish the principle that the portion of income required to maintain a reasonable standard of living should be tax free. Taxes should only be paid on incomes rising above this level."

Here, then, is the cost which labor is to pay for "total security": regimentation, abrogation of the right to enjoy the fruits of one's labor, atrophy of skills, and a universal but minimum standard of living at a "reasonable" level.

Is it not ironical that just as labor in Asia, Europe, even behind the Iron Curtain, seeks to cast off the confining restrictions of "total" systems and gain some of the mobility and freedom of the American worker, the latter should be offered this same tired and withered concept as his shining hope? ◈

IDEAS ON LIBERTY

Legislated Security

THE INTRODUCTION of compulsory social insurance in cases of sickness, or compulsory social insurance in cases of unemployment, means that the workers must be subject to examinations, investigations, regulations, and limitations.

SAMUEL GOMPERS (1916)

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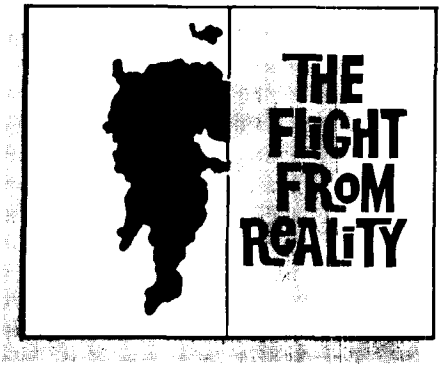

8. The Deactivation of History

CLARENCE B. CARSON

To-day . . . one rarely finds a historical student who would venture to recommend statesmen, warriors, and moralists to place any confidence whatsoever in historical analogies and warnings, for the supposed analogies usually prove illusive on inspection, and the warnings, impertinent. . . . Our situation is so novel that it would seem as if political and military precedents of even a century ago could have no possible value.

— JAMES HARVEY ROBINSON, 1912

The newer history . . . holds that few situations in a very remote past will allow of being used as data to test the validity or desirability of measures proposed for present or future application. It regards civilization as a great organic complex and contends that, as the general cultural setting of events in the past was so vastly different from the present situation, past events can furnish only a very doubtful and unreliable criterion for judging of the wisdom of present policies.

— HARRY ELMER BARNES, 1925

MANY OBSTACLES barred the way of those who were attempting to institute melioristic reforms. The most formidable obstacle was reality itself. As a matter of fact, since reality has not demonstrably changed, it still is an insurmountable obstacle to the success of many kinds of reforms. However, reformers have been able to *attempt* many of their innovations. This means that they have been able to alter generally held conceptions of reality. This was accomplished by embarking upon an extended flight from reality.

Thus far, the story of the advance of reformist ideas has been told within a framework of an enduring reality, and the departure of reformist conceptions from it. In order for large-scale attempts to make over man and society to appear feasible, men had to cease to believe in an underlying structured and ordered reality. Many

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intellectuals made this step in their thought. It does not follow, of course, that the reason why they ceased to believe in an ordered reality was so that reforms could be instituted. On the contrary, many who contributed to this development in thought were not apparently interested in extensive reforms. Many nineteenth century thinkers who had ceased to believe in a metaphysical reality which endures did not, on the other hand, believe consciously directed reform to be possible.

Nonetheless, by dispensing with the metaphysical framework, they set the stage for reform. If man has a nature, if all things have a nature, if there is an underlying order which endures, it follows that there are great limits to the kinds of change that can be made. These conceptions are, however, metaphysical in character regardless of how obvious and demonstrable they may appear to some people who have not been trained in metaphysics. The metaphysical underpinnings of these conceptions were swept away by David Hume and Immanuel Kant, or, to be more precise, these philosophers held that they could not be directly validated by reason and sensual evidence. The house of philosophy collapsed in the early nineteenth century, and thinkers went off in every direction, erecting ideologies out of the bits and pieces that remained from the wreckage of philosophy.

Reason cut loose from reality, and the imagination freed from the discipline of philosophy were used to draw up plans for new heavens on new earths. Even Americans began to feel the attraction of utopia by the latter part of the nineteenth century. When the enduring was cut away, time and change were all that was left. New pseudo philosophies — Hegelianism, Marxism, Darwinism — arose to offer accounts for changes in time. These were oriented, however, to the discovery and exposition of the laws of change and were not favorable to consciously initiated reforms. Pragmatists offered a way out of this dilemma by setting forth a radical new freedom, freedom from any underlying laws. John Dewey readily wrenched this pseudo philosophy into the orbit of reformism, calling his variant of the philosophy Instrumentalism.

An Obstacle to Reform

Some of the ground must be retraveled at this point, however. By moving all of reality into time, thinkers did not remove the conceptual obstacles to the triumph of reformism. They only succeeded in making reality the subject mat-

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ter of history. The traditional role of history was inspirational and cautionary. Men studied history to be inspired by examples of noble actions, to enrich their limited experience by that of others, to draw sustenance for their lives from the lives of others. There was a negative side to this study of history, too: one could find there indications of the limits of what should be attempted, be reminded of the consequences of precipitate action, discover anew what was beyond his power to alter, be chastened by the records of the failure of others. In short, history has usually played a conservative role in society. It was a major obstacle to reform, as men customarily thought of it and utilized it.

Some reformists, who were also historians, realized this. James Harvey Robinson, writing in the early twentieth century, declared: "History has been regularly invoked, to substantiate the claims of the conservative, but has hitherto usually been neglected by the radical. . . . It is his weapon by right, and he should wrest it from the hand of the conservative."[1] In short, Robinson, as a would-be reformer, perceived that history must be reconstructed in order to make it an instrument of reform. The older history must be deactivated; it must be replaced by a "new history."

[1] James H. Robinson, *The New History* (New York: Macmillan, 1912), p. 252.

Traditional Use of History

Before describing how this deactivation and "instrumentation" of history took place, however, some examples of the traditional use of history are in order. In an earlier America, history was conceived of as a depository of experience which might be examined for guidance in the affairs of men. Nowhere is this usage better exemplified than in the debates over the adoption of the Constitution. In some of the state conventions there were veritable outpourings of historical erudition to buttress one position or another.

Americans were fearful at this time of entrusting overmuch power to governments. They found numerous instances in history of the working out of the dangers that they feared. For example, those attending the Massachusetts convention were treated to the following discourse on the matter:

> Dr. Willard entered largely into the field of ancient history, and deduced therefrom arguments to prove that where power has been trusted to men, whether in great or small bodies, they had always abused it, and that thus republics had soon degenerated into aristocracies. He instanced Sparta, Athens, and Rome. The Amphictyonic

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league, he said, resembled the Confederation of the United States; while thus united, they defeated Xerxes, but were subdued by the gold of Philip. . . .[2]

A Mr. Nason in the same convention points out the dangers of a standing army:

A standing army! Was it not with this that Caesar passed the *Rubicon*, and laid prostrate the liberties of his country? By this have seven-eighths of the once free nations of the globe been brought into bondage! Time would fail me, were I to attempt to recapitulate the havoc made in the world by standing armies.[3]

A Major Kingsley cites even more specific historical references, as he argues for better control by the people over their government:

Let us look into ancient history. The Romans, after a war, thought themselves safe in a government of ten men, called the *decemviri*; these ten men were invested with all power, and were chosen for three years. By their arts and designs, they secured their second election; but, finding, from the manner in which they had exercised their power, they were not able to secure their third election, they declared themselves masters of Rome, impoverished the city, and deprived the people of their rights.[4]

The Virginia convention was the scene of even more vigorous debate founded in historical allusions than was that of Massachusetts. James Madison was one of the most learned of these debaters. In the following citations, he is arguing from history that loose confederations are not adequate to the exigencies of government:

The Amphictyonic league resembled our Confederation in its nominal powers. . . . But, though its powers were more considerable in many respects than those of our present system, yet it had the same radical defect. . . .

The Achaean league, though better constructed than the Amphictyonic, . . . was continually agitated with domestic dissensions, and driven to the necessity of calling in foreign aid; this, also, eventuated in the demolition of their confederacy. . . .

The Germanic system is neither adequate to the external defence nor internal felicity of the people. . . .[5]

By historical references, Edmund Randolph argues for the desirability of union:

If you wish to know the extent of such a scene, look at the history of England and Scotland before the union; you will see their borderers continually committing depredations and cruelties of the most calamitous and deplorable nature, on one another. . . .[6]

[2] Elliot's *Debates*, Bk. I, vol. 2, p. 68.

[3] *Ibid.*, p. 136.

[4] *Ibid.*, p. 62.

[5] *Ibid.*, vol. 3, pp. 129-31.

[6] *Ibid.*, p. 75.

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The manner in which they were employing history was not left in doubt. They were reaching back into history for lessons appropriate to actions they were considering. John Marshall makes this clear in the following passage:

> We may derive from Holland lessons very beneficial to ourselves. Happy that country which can avail itself of the misfortunes of others – which can gain knowledge from that source without fatal experience![7]

James Madison adds: "We may be warned by their example, and shun their fate, by removing the causes which produced their misfortunes."[8]

Common Sense and Philosophy

The didactic use of history rests upon both a common sense and a philosophical foundation. At the common sense level, it is only an extension of everyday practice. If we slip and fall on an icy street, we proceed with caution on icy streets thereafter, realizing that the same thing can happen again. By analogy, we reason that a street is not even necessary to recurrence, that it can happen anywhere on ice. Written history – that is, what is ordinarily thought of as history– is the formalized memory of a people, the record of their experience. History is the public memory of a people, and may serve in more general affairs in much the way that an individual's memories of experience serve him–i. e., as a compendium of dangers to be avoided, a depository of successful methods, a storehouse of what the world is like and how one may operate within it.

At the philosophical level, the didactic use of history was based upon the existence of an underlying order. It assumes that events, in essence, can recur and that the reason for this is an order in which a given cause will produce a given effect. To return to the example used above, a man walking requires traction to proceed. When he loses traction, his forward motion will continue him downward to the earth, and since he will usually try to brake himself, he will usually fall backward. The occurrence of such events can be stated as laws; they recur and are even predictable.

In the same fashion, there are larger developments that can be expected to recur under certain circumstances. For example, if political power is concentrated, and not strictly limited, tyranny may be expected to result. The explanation is to be found in the nature of man. The didactic use of history rests, then, upon the

[7] *Ibid.*, p. 225.
[8] *Ibid.*, p. 311.

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view that beneath the surface upon which changes occur there is a substratum which endures. This enduring substratum—this metaphysical realm – makes it possible for men to discover from the study of history what is apt to happen when a particular course is followed.

In everyday affairs, men have continued to recur to and use their experience very much as they always have. One suspects that even the most determined reformist intellectual wears his rubbers, or puts snow tires on his automobile, when he ventures out upon icy streets. He knows, as do we all, that "history" repeats itself many times over. But at the level of large and complex matters, history has been deactivated, the past has been cut off, and men have been disjoined from the common fund of experience. A new history has emerged which is not a useful record of experience but a herald of the future and an instrument for rebuilding society.

Defaming the Past

One of the culminating steps in the deactivation of history was the defamation of the older history. Just as the older philosophy had been defamed, just as the older education, religion, and economics would be defamed, just so history would be denigrated. The work of undermining the older history was mainly the work of historians. Many contributed, but three men who mounted the assault in the first half of the twentieth century will provide us with sufficient illustrative material. These men were: James Harvey Robinson, Harry Elmer Barnes, and Charles A. Beard.

Robinson launched the attack upon the older history first. His position is made clear in the following:

> It is true that it has long been held that certain lessons could be derived from the past.... But there is a growing suspicion ... that this type of usefulness is purely illusory. The present writer is anxious to avoid any risk of being regarded as an advocate of these supposed advantages of historical study. Their value rests on the assumption that conditions remain sufficiently uniform to give precedents a perpetual value, while, as a matter of fact, conditions ... are so rapidly altering that for the most part it would be dangerous indeed to attempt to apply past experience to the solution of current problems.[9]

Writing some years later, Barnes much more vehemently denounced the reliance upon past experience. He declared that "the past has no direct lesson for the present in the way of analogies and forecasts." He goes on to

[9] Robinson, *op. cit.*, pp. 17-18.

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cast doubt upon the "wisdom of the Fathers," that is, the wisdom of leaders in past times. "The fact that every civilization prior to our own has ended up in a hopeless wreck should be fairly proof of the frailty of patristic wisdom in all ages of men." In short, "we are grotesquely wrong in assuming that there has been any great amount of true wisdom in the past. . . ."[10] But even if there had been wisdom in the past, he pointed out, it would not be relevant to contemporary problems. Conditions have changed.

Therefore, in our efforts to solve contemporary problems on the basis of the "wisdom of the past," we are somewhat more absurd in our attitude and conduct than the animal trainer who would strap his pet anthropoid in the seat of an aeroplane on the ground of his prior mastery of the technique of the tricycle. Not even a Texas Methodist Kleagle would think of taking his car to Moses, Joshua, Luther or George Washington to have the carburetor adjusted or the valves ground, yet we assure ourselves and our fellowmen that we ought to continue to attempt to solve our contemporary problems of society, economics, politics and conduct on the basis of methods, attitudes and information which in many cases far antedates Moses.[11]

[10] Harry E. Barnes, *The New History and the Social Studies* (New York: The Century Co., 1925), p. 588.

[11] *Ibid.*, p. 589.

It is not necessary to disentangle all the ideas which Barnes mistakenly or dubiously associated and confused. The point is that he denied the relevance of historical lessons to the present, and, in the same passages, rejected all that may have been learned in the past.

Charles A. Beard, a somewhat more disciplined thinker than Barnes, denied that cause and effect can be isolated in history. He maintained that no group of complications can "be isolated from surrounding and preceding complications. Even 'simple' events are complex when examined closely. 'George Washington accepted the command of the American troops.' What 'caused' that action?"[12] He goes on to conclude that it is impossible to draw a conclusion with certainty about the answer to the question he poses. In so complex a matter as the American Revolution, he continues, the attempt to assign causes is futile.

To apply the physical analogy of "cause and effect" we should be compelled to think of the American Revolution as an entity, like a ball, set in motion by impact of other entities. The latter are the "causes" and the motion of the ball is the "effect." The impossibility of making such analogy

[12] Charles A. Beard, *The Discussion of Human Affairs* (New York: Macmillan, 1936), p. 90.

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conform to the recorded facts of the Revolution is apparent to anybody who employs historical knowledge in the effort. We know that thousands of events took place in time, and that thousands of personalities were engaged in them, but we cannot find chains of causes and effects in them.[13]

Questions Without Answers

However obtusely he had done so, Beard had put his finger on the nerve that goes to the center of the didactic use of history. If it is impossible to discover cause and effect, it is not possible to know what action produced what results. Without this information there is little to be learned from the past. Beard's examples do not prove his case; instead, they show that it is possible to pose questions in such a way that no answers can be found for them. In the first example, he asked what George Washington's motives were. He was quite right in pointing out that we cannot discover the answer to this question with any certainty. He was wrong, however, if he supposed that the answer to the question would matter if it could be known. The effects of actions, once they have taken place, are not altered by motives. Suppose he had asked another sort of question, a "simple" one involving George Washington. For example, Continental troops were so disposed on Long Island that they could have been cut off by General Howe. Why did this occur? Washington had issued an order that they be situated in this manner. He had *caused* them to be so disposed. If the army had been captured, Washington could have been held responsible. If this had happened, there would have been instruction in it for future military commanders.

The case of the "cause(s)" of the "American Revolution," as Beard poses the problem, is even more instructive. It leads us toward an understanding of the position from which historians denied the relevance of the past for the present. Beard started with a dubious assumption, i. e., that there was some occurrence which could properly be called the "American Revolution." This is highly doubtful. At best, this phrase is a *convenient designation* for a considerable number of events and developments – e.g., the break from England, the war, the drawing of constitutions, the making of reforms, and so forth. Moreover, the question as posed may embrace motives, purposes, incentives, desires, accidents, influences, decisions, reasons, as well as cause and effect relationships, in its answer. "American Revolution," when used as a phrase to designate a large number of de-

[13] *Ibid.*, p. 91.

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velopments, is a fictional device, not a reality. The real question involving causation concerning a convenient designation should concern who invented it. To treat it as something that actually occurred, to ask what caused it to occur, is bound to lead to confusion. To fail to distinguish among all that an historian might offer as explanation – to lump everything together as "causes"—compounds the confusion. The question of causation is important for the didactic use of history as it concerns the results of human action. Beard had posed no question that brought the problem into focus.

Actually, then, the arguments were irrelevant to the positions taken. Beard had not disproved the existence of cause and effect relationships. Barnes had not shown that there was nothing to be learned from the past, nor that men in the past had no wisdom. Robinson had not shown that past experience is irrelevant in present circumstances. They, along with others, did succeed in discrediting didactic history, but what did the work was not the validity of their direct arguments against it but their assumptions. These men were historicists, and if one accepts the historicist position, he must, logically, reject the relevance of the past to action in the future.

A Hodgepodge of Details

In essence, historicism has been defined – or described – in the following way by one historian: "The subject matter of history is human life in its totality and multiplicity. It is the historian's aim to portray the bewildering, unsystematic variety of historical forms . . . in their unique, living expressions and in the process of continuous growth and transformation." In brief, "the special quality of history does not consist in the statement of general laws or principles, but in the grasp, so far as possible, of the infinite variety of particular historical forms immersed in the passage of time."[14]

Historicism was developed by German historians in the nineteenth century; it stemmed from Herder and was shaped by von Ranke, Dilthey, and Meinecke. It arose as a protest against the scientific emphasis of eighteenth century thought and partook of the romantic concentration upon the concrete and the unique.[15] It was, in its inception, a definition of the limits and extent of their craft by historians. They were saying something such as this: Each event when viewed as a

[14] Hans Meyerhoff, ed., *The Philosophy of History in Our Time* (Garden City: Doubleday, an Anchor book, 1959), p. 10.

[15] See *ibid.*, pp. 9-18.

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whole is unique. That is how we propose to view every happening, occurrence, and development. Perchance, there may be common features to them, there may be laws and principles, but this is not our concern as historians.

Well and good, one might say, let other disciplines explore reality from their vantage points and discover such laws and principles as there are. But there was a catch. In the course of the nineteenth century, all of reality was being thrust into the domain of history by thinkers, by Hegel, by Marx, by the Darwinians. Everything was conceived of as changing, and the historicists themselves were among the first to claim every aspect of life as grist for their mills. This brought them into conflict with the various "scientific" schools (Hegelian, Marxian, Darwinian), for these sought for and expounded "laws" of historical change. On the whole, in the West, the historicists appear to have won.

In the main, however, it was an empty victory. Most of the ideas that were denied entrance at the front door by historicists came in at the back by way of assumptions. Thus, scientism, progressivism, determinism, and a host of other isms have pervaded historical work in the twentieth century. Historicism is particularly vulnerable to determinism, and the historicist has no vantage point from which to resist the intellectual currents of his day. This is so because historicism is ineluctably relativistic. Each event is unique; each happening must be understood in terms of the context within which it occurs. To put it another way, everything is *relative* to its context. Rigorous historicists (some of whom were romantic individualists) have tried to avoid the implicit determinism in this view by insisting upon the uniqueness and individuality of each thing. But most historians are not troubled by such philosophical scruples; thus, they allow the implicit assumption of determinism free play in their work.

No Guide for the Future

The main point, however, is that historicism makes history useless so far as instruction for future action is concerned. Regardless of how luxurious the detail with which events are described – or because of it in part – these events contain no lessons. They are unique, self-contained, or, in the case of the way in which most practitioners handle them, prelude to the future. Future happenings will be unique also, perhaps shaped, even determined, by the past, but unlike anything in it. The relativism

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in historicism can be utilized to reach yet another conclusion – that *the past is unknowable.* This is roughly the conclusion which Charles A. Beard had reached by the mid-1930's.[16] The reasoning follows this line. Both men and events are conditioned by the context within which they occur, are relative to their "times." If this is so, it follows that the historian writes from his own unique position and can never be certain that he is making truthful statements about the past. It is much more likely that he is revealing much more about himself and his times than he is about the past. The idea was already current that each generation rewrites history in its own image, and Beard's position reinforced it.

The thought may well arise at this point, why bother with history, anyhow? It appears to be useless, meaningless, and in any case, probably unknowable. Some historians have indeed drawn such a conclusion. But the most vigorous defamers of the older history quite often had new uses in mind. They were what may be called historicist-progressives. From historicism they took the idea that history does not repeat itself, that ideas and events are relative to the context within which they occur, and that it is the business of the historian to reconstruct the whole of the past, in all its luxurious detail. From progressivism came their idea that all of later history is a product of earlier history – that the past is prologue. If one could delineate all the trends at any present moment, they thought, he could discern the shape of the future. This was a watered down version of the various historical determinisms of the nineteenth century.

Changing the Past

Historicist-progressives turned to the conscious use of history to reform man and society. This was the purpose of James Harvey Robinson's New History. He declared, "We must develop historical-mindedness upon a far more generous scale than hitherto, for this will add a still-deficient element in our intellectual equipment and will promote rational progress as nothing else can do. *The present has hitherto been the willing victim of the past; the time has come when it should turn on the past and exploit it in the interests of advance.*"[17] The historian should come forward and direct the reforms, it appears:

[16] His most famous statement of it is in "Written History as an Act of Faith," *American Historical Review*, XXXIX (January, 1934) 219-29.

[17] Robinson, *op. cit.*, p. 24. Emphasis added.

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As for accomplishing the great reforms that demand our united efforts – the abolition of poverty and disease and war, and the promotion of happy and rational lives – the task would seem hopeless enough were it not for the considerations which have been recalled above.... The reformer who appeals to the future is a recent upstart. . . . But it is clear enough today that the conscious reformer who appeals to the future is the final product of a progressive order of things. ...We are only just coming to realize that we can cooperate with and direct this innate force of change....[18]

Even as long ago as 1913 the villain of the piece – conservatism – had been identified. "At last, perhaps, the long-disputed sin against the Holy Ghost has been found; it may be the refusal to cooperate with the vital principle of betterment. History would seem, in short, to condemn the principle of conservatism as a hopeless and wicked anachronism."[19]

Harry Elmer Barnes accepted the "value of historical knowledge as an aid in improving the present and in planning for the future...." He declared that the "chief way in which history can be an aid to the future is by revealing those elements in our civilization which are unquestionably primitive, anachronistic and obstructive and by making clear those forces and factors in our culture which have been most potent... in removing these primitive barriers to more rapid progress."[20] The ubiquitous John Dewey can be quoted to the same effect: "Intelligent understanding of past history is to some extent a lever for moving the present into a certain kind of future."[21]

The Projection of Historical Trends

History was not only deactivated, then, but also reactivated. The older history was defamed and cast aside, but a New History was conceived to take its place. History ceased to be a record of man's experience from the past, rooted in an enduring reality, and was given a new role of being an instrument of reform in the present and for the future. This New History was (and is) presentistic and futuristic. The past is consciously and intentionally viewed from the present perspective and in terms of future goals. The emphasis is upon trends and forces at work in history, and upon the changing cultural setting within which men live and events take place.

History was rewritten to the above formulas. The *modus operandus* was something such as this.

[18] *Ibid.*, pp. 263-65.
[19] *Ibid.*, p. 265.
[20] Barnes, *op. cit.*, p. 16.
[21] John Dewey, "Historical Judgments," in Meyerhoff, *op. cit.*, p. 172.

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The historian combed whatever history he happened to be studying for currents and trends leading up to the present situation or which could be expected to culminate in the not too distant future. Quite often, such history was written with a particular idea, goal, or ideal in mind. A favorite goal for American history has been democracy. A historian writing from this angle is apt to discover "seeds of democracy" in Puritan New England, "limited democracy" in the constitutional period, "Jeffersonian democracy" in the time of the badly misunderstood Jefferson, and "Jacksonian democracy" a little later.

Of course, the Jacksonians only witnessed the Advent of Democracy, as any reader of such histories knows. A great struggle had yet to take place. Children and women labored long hours in inhospitable factories. The enfranchisement of the adult population was only well underway. In the latter part of the nineteenth century, the "plutocrats" almost succeeded in wrenching the control of the government out of the hands of "the people." But, in the early twentieth century, "the people" wrested control away from the usurpers, and turned it over to progressive reformers. From that time on, with some set-backs, the advance of "democracy" has been upward and onward. The work is not finished, of course, as one historian points out in the peroration to his text:

> High though our standard of living is, it reveals glaring inequalities. Vigorous efforts should be made to narrow the gap between the rich few and the poor many. A better life must be assured our millions of sub-standard tenant farmers, sharecroppers, migratory fruit-and-vegetable workers, and day laborers, both Negro and white. Millions of our people enjoy less than a decent standard of living, and consequently fall victim to illness, crime, and other misfortunes resulting from a low income. A high standard of democracy and a high standard of decency go hand in hand.[22]

He has, of course, already described trends which, when they culminate, should deal rather effectively with these problems.

The Subtle Path to Reform

It should be noted that the historicist-progressive historian need not come out in the open as an advocate of reforms, as the above quoted historian does. He can, and usually does, accomplish his advocacy in more subtle ways. The story that he tells is usually oriented toward reforms. The

[22] Thomas A. Bailey, *The American Pageant* (Boston: Heath, 1961, 2nd edition), p. 970.

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trends he discovers make the reforms virtually inevitable. He can describe the surrounding circumstances in such a way (the handling of the Great Depression is a good example) that the reforms are made to appear unavoidable and entirely desirable. All of this he can do while maintaining a stance of "objectivity." All that he has been doing, he may protest, is to describe what happened, to show the context within which it happened, and to sort out the trends which led up to the happening. Actually, many historians of this stripe take no particular pains to hide their melioristic bias. The ones quoted above were hardly doing so. It is a handy stance to have around, however, when some historian arises to oppose reform.

It should be noted, too, that "lessons" have crept back into the New History. They usually have to do with the temporary triumph of the "forces of reaction." Perhaps the most commonly repeated "lesson" is the one to be learned from the failure of the United States to join the League of Nations. Many historians attribute failure of the League to the absence of American support. If America had joined, they say, things would have been different. Look at all the horrors that ensued. The hardly concealed "lesson" was that the United States should join the United Nations and should stay with it and support it at all cost. Notice that this is not a lesson to be learned from history at all. It is a preachment written into history. No one knows what might have happened had the United States joined the League of Nations. It is pure supposition that the course of events would have been much altered. It is not a lesson drawn from what men did and what the consequences were; it is a lesson drawn from what men *might* have done and what *might* have been the result had they done so.

As the above indicates, history has been cut loose from reality. The only reality with which history can properly deal is in the past. When, and to the extent that they did, historians cut loose from reality, they cut all of us off from much of our experience. They opened the way to reform efforts unchastened by experience. They turned history into an instrument for remaking man and society. They wrenched history out of its path of reliance on the concrete experience of the past and attempted to root it in their own subjective longings. ◈

The next article in this series will treat of "The New 'Reality.'"

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THE WILL TO BE

WYATT B. DURRETTE, JR.

IN THE STRANGE dialectic of Rousseau the mystery of freedom lies in the forcing of others to be free: a perversion so immense that it has captured many minds in its beguiling grasp.

The Founding Fathers of the United States suffered no such illusions, for they believed man capable of self-responsibility. As Dr. Felix Morley expressed it in *The Power in the People:* "To put the power in the people implies faith. It implies that the component individuals are, for the most part, already endowed with self-control. This Republic is grounded in the belief that the individual can govern himself. On the validity of that belief it will stand – or fall."

This is a recognition of the essential nature of freedom: that it cannot be imposed from without; it must exist and thrive in the minds and hearts of men or not at all. It is on this foundation that the Founding Fathers sought to construct a nation. Though the structure is important, they knew, and we must remember, that freedom can only survive if men cherish and prize it above all else.

James Madison wrote in *The Federalist* (No. 39) of "that honorable determination which animates every votary of freedom, to rest all our political experiments on the capacity of mankind for self-government."

Benjamin Franklin voiced this same thought. The story is told that he was asked shortly after the Philadelphia Convention concerning the nature of the product which their labors had produced.

"We have given you a Republic, madam, if you can keep it," is reputed to have been the old gentleman's reply.

Usually this anecdote is recalled to emphasize that our government was conceived as a Republic, not a democracy, suggesting that the key to the continuity of our con-

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cepts of liberty and individual freedom lies in the preservation of this governmental structure. This accounts for much of the effort to protect the integrity of the Constitution by detailed analysis, laborious research, and scholarly writing, and explains why such importance is given to the balancing of power among the three repositories of Federal authority and between the national and state governments.

That this structure has contributed immeasurably to the preservation of liberty is not to be denied. Yet, there was more, an essential ingredient – present in the past, but fading today.

This ingredient is the spirit and vision of freedom captured by the Declaration of Independence and manifested in the Constitution, the fire of liberty which burns in the minds and hearts of individuals. Here is the foundation upon which this nation was built, and the only foundation upon which it can endure.

Thomas Jefferson knew that the strength of our Republic lay in the people's fidelity to the vision of 1776, to the spirit of freedom: "When that is lost," he wrote, "all experience has shewn that no forms can keep [people] free against their own will."

Thus viewed, Franklin's "if you can keep it" assumes greater significance than is usually attributed to it. The structure was only as strong and enduring as man's will to be free.

As Judge Learned Hand phrased it: "Liberty lies in the hearts of men and women; when it dies there, no constitution, no law, no court can save it; no constitution, no law, no court even can do much to help it."

Here then lies our challenge. The governmental framework is important, perhaps vital; but even the best governmental structure is merely a paper barrier against tyranny unless there are those who value freedom.

Madison, Jefferson, Hand, and Franklin, among many others, have clearly seen this. They knew that freedom lives and breathes in the hearts of men, not in a constitution nor a formal code of law. At best these forms can only serve to preserve the conditions propitious to the continued life of the vision.

But when the vision goes, the structure soon follows. Our primary task is to rekindle that vision. Should we succeed, we need worry little about the structure. For the will to be free provides its own structure; and where freedom is found, men manage to create and preserve the framework around which it can grow. ◈

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BERTON BRALEY

MY FRIEND Jones, whom I don't keep down with, is very price conscious.

We were shopping in the same supermarket, and I had just dropped a package of Grandma's Oats in my cart.

"That," said Jones, "is an example of the way the consumer is gouged on the cost of living. Grandma's Oats – maybe four cents worth of oatmeal in a fancy package, nineteen cents! Four hundred per cent profit. It's a stick-up. It ain't worth it."

"It's worth it to me," I said. "I'm not paying nineteen cents for four cents worth of oatmeal, I'm paying 19 cents for oatmeal I know is accurately weighed, free of dirt and worms, cookable in five minutes instead of five hours, and put up in a convenient package to use or store in the cupboard.

"Using Grandma's Oats instead of loose oatmeal saves on my gas bills, saves my wife labor and time, and adds maybe one cent to the cost of our breakfast. If the manufacturer and the retailer split a 400 per cent profit in furnishing me these advantages – they're welcome to it. So, 19 cents for Grandma's Oats – it's worth it to me."

Maybe our food cost runs a little higher than the Joneses – though I doubt there's much difference – but it's worth it to me in time and trouble saved by *not* worrying whether I could have got something two cents, or two dollars, in some cases, cheaper by bargain-hunting. It's worth it to me in the convenience and ease of shopping where pre-packaged and wrapped goods are all ready for me to pick up and take home.

So when Jones and I met again at the milk counter – I think he was haunting me to see what next

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extravagance in buying I would commit — and as I put a container of homogenized milk and a half pint of heavy cream in my cart, he said, "Two cents extra for homogenizing — which probably costs half a cent. Another stick-up!"

I said, "It's worth it to me. I'm not too lazy to shake up the milk each time I use it, but I don't like to be bothered, and it's worth two cents a quart to me not to have to."

"Is it worth ten cents more a half pint to buy heavy cream instead of light?" he protested.

"It is to me," I replied, "I like real cream in my coffee, not fortified milk. Also, it's worth it in the economy sense. First, I need only half as much heavy as light cream to get the same effect, or better, in my Java. Second, I can get the same consistency as light cream — if I wanted it, which I don't — by mixing heavy cream with milk, at a mingled cost less than the light stuff."

In the vegetable department, Jones loaded a five pound bag of potatoes into his cart and I did likewise, only, as Jones pointed out, I was paying two cents a pound more than he was.

And I pointed out that I was getting selected, sized, and washed potatoes, in a transparent bag through which my wife could see to pick out the particular potatoes she wanted to cook; while Jones was getting a heterogeneous lot of spuds that had to be dumped out to determine their size, and scrubbed by Mrs. Jones before they could be used.

If that extra work and bother to the Joneses is covered by the ten cents they save on the bag, it isn't worth it to me. And, again, if the potato-packer makes eight cents out of this "fancy packaging," he's welcome to it, as far as I am concerned.

However, Jones to the contrary notwithstanding, there are very few swollen profits wrapped up in packaged and frozen foods. With the competition as fierce as it is, the greedy purveyor would find himself out of business in a month if he tried to mulct the buyer for more than the packaging is worth.

And in pre-cut and wrapped meats, for instance, I find a saving not only of time, but of money. In my supermarket — which is typical — I can find exactly the kind, cut, quality, and quantity of meat I want, visible and easily handled in its cellophane wrapper, labeled with its weight, price per pound, *and* a guarantee as to quality. And I don't have to accept the extra ounces that a butcher frequently adds as he cuts to fill the order, or watch to see that he doesn't weigh his hand with the

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steak, or pay him from two to ten cents a pound more than for the "prettified" kind from the pre-cut counter.

And, even if it were more expensive to buy the prepared stuff, it would be worth it to me in convenience, and the sanitary absence of flies.

In the list of grocery items for which I cheerfully pay a small premium in price are certain brands of coffee, salad dressing, tea, soup, pudding, detergents, scrubbing powder, and the like that have been recommended to me through years of national advertising, but permanently sold to me because experience proves their superior quality.

That same price differential is also worth it to me in a number of other categories – like car polish, floor wax, vacuum bottles, hand lotion, and razor blades, to list a few – in which certain brands demonstrably are best and most efficient to use. Incidentally, some of these special brands, while higher priced than many competitors, are not the most expensive. While I contend that paying more for the best is generally worth the difference, it doesn't follow that paying the most always gets you the best.

So, I agree with Jones about shopping around for some items. There's no advantage to me in paying 29 cents for four ounces of perfumed lighter fluid when there's a chain store that sells it (unscented) for 9¢.

Paying 10¢ an ounce for nail-polish remover, when lacquer thinner (the same chemical) costs 50¢ a pint, isn't worth it to me.

Nor is it worth it, to a smoker who has "tried 'em all," to pay several dollars a pound for ultra-special blends of tobacco when a dozen brands at a dollar-a-pound are just as satisfactory and a lot easier on the throat.

And, to step into a higher bracket of expenditure, it isn't worth it to me – and wouldn't be if I were "loaded" or had a limitless expense account – to pay $25 for a steak dinner at a swank bistro, when $3.75 will get me as good a meal in surroundings just as luxurious except for the figures on the right of the *carte du jour*. I say that isn't worth it to me; yet, I readily concede that it must be worth it to those who freely and willingly partake of such fare.

With comparatively few exceptions, it's worth it to me to pay whatever is the small added price for a better or more conveniently packaged product; and let Jones use his price-conscience penny-wisdom in what I call pound-foolishness.

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I've made this piece personal because I think I'm typical of the "improvident and extravagant American customer" who buys on impulse and doesn't count the cost — and because it's my personal opinion that the "extravagant and improvident American customer" is nothing of the kind, but actually a better economist than the price-conscious bargain hunter.

When he — or rather, she, (for women do most of the shopping) — buys advertised brands of soap or sealing wax, packaged cereals, pre-cut meats, frozen vegetables and fish, the cent or two more they cost (and not all of them do) are worth it to her in convenience, confidence in quality, time and labor saved.

It's because Mrs. Shopper is convenience-minded, quality-minded, and time-minded that our producers have built up a market vaster and more varied than anywhere else on earth, in which "extravagant" shoppers can go on expanding the list of things that are worth it to them.

To the kind of mind that views saving string and straightening nails as economy, most Americans are heedless spendthrifts, but that sort of economy is sound only when fresh string and new nails are not on the market.

So, I think that the American buyer is basically the most intelligently provident of people in using "it's worth it to me" as his slogan. My opinion on this may not be worth your considering, but it's worth it to me. ◈

IDEAS ON LIBERTY

Serving the Consumer

THE PRINCIPLE which enables consumers to get the most of what they want is the principle of the free market. The heroine of the free market is the typical Queensway housewife who will go out of her way rejoicing to buy a box of detergent two cents cheaper.

Such an opportunity our heroine is glad to discover by shopping around. She would most vocally resent any restriction on her freedom to shop around. Without this vital freedom, all other freedoms — worship, speech, press, assembly, and so on — are shadowy if not impossible.

HART BUCK, *Freedom to Shop Around*

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A PART OF THE PROBLEM

PAUL L. POIROT

ONLY the inimitable Victor Borge would have "an uncle who once invented a cure for which there is no known disease." But all of us can claim an "uncle" who is adept at formulating answers without knowing what the problem is; and "Uncle Sam's" favorite answer is, "Subsidy!"

In fairness to "Uncle," it may be conceded that his failure to identify problems clearly could be a shortcoming picked up from various of his nieces and nephews. It happens to the best of us!

For example, what about all these victims of poverty we see throughout the world? Blessed as we are today with our fast cars and planes and instantaneous radar and television entry into the most remote corners, we can detect the first pangs of hunger or the slightest sigh of suffering or hardship, in a matter of seconds, it seems, from anywhere on earth. Previously, when a man's "world" was little larger than he could circumscribe conveniently on foot or horseback, his chances of spotting anyone much poorer or hungrier than himself were not great. And if there were a neighbor in need, it was not so difficult to figure out just what he needed and how to help him. In those days, if a farmer lacked a plow, none of his friends would have thought of giving him a fully automated steel mill.[1] If no one had an extra plow to give, at least someone would be willing to lend the tool in exchange for some help with the corn at harvest time.

If a family were really up against it, perhaps with illness and a shortage of food in the dead of winter, it wouldn't have been considered real neighborly to send over a "relief" check and a promise of more when needed. A nearby housewife might drop in with a pot of stew, and spend some time nursing the sick and tidying up the cabin before returning

[1] See "Statism and the Free Market" by Sudha R. Shenoy, THE FREEMAN, May 1962, p. 44.

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home. And the expectation would be, in most cases, that when the stew kettle eventually was returned to its owner, it would contain a freshly baked pound cake or some repayment in kind. Or, a neighbor would stop to see if one of the boys from the needy family might be able to spend a few weeks helping with the chores at the neighbor's place – for his room and board, and perhaps a chance for some schooling.

There is an art to helping a person help himself, of being charitable toward anyone without damaging his self-respect and sense of self-responsibility. When those one would aid are close to home, well known and loved and respected, the temptation to be rash or careless in rendering aid is diminished. A friend's life and character is at stake, and the problem can be more clearly seen as not simply a need to fill his belly but a way for him to earn self-respect and a reason for living.

Contrast this with the modern method of perceiving poverty from a jet or helicopter or through a picture tube, a telescopic view of multitudes of strangers, too numerous to be counted or cared for one by one, too much of a job for any one neighbor.

The picture is accurate enough; these are actual human beings who are hungry, homeless, ragged, diseased, illiterate. Their sad plight is real and evokes the sympathy of all who observe their condition. But feeding a starving multitude is no job for a friendly housewife with a kettle of stew. An individual, yes, or perhaps several members of a family can be cared for by any one of us – but viewing the problem en masse tends to conceal the fact that it still is the individual who suffers hunger, disease, privation. It is the individual who needs a purpose in life and a way to earn his own living – a way to achieve *his* purpose. Populating the earth with purposeless creatures is a goal unworthy of any human being; yet, this would seem to be the tendency inherent in most of the so-called charitable programs of the welfare state.

Aside from the case of hopeless cripples and invalids for whom others may care, poverty is a continuing problem only (1), to individuals who have no incentive to rise above that challenge, and (2), to those who take it upon themselves to perpetuate the situation through irresponsible subsidies. Of these two aspects of the problem, the latter is probably the more serious. ◈

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Groping for the Secret of Fire

WILLIAM HENRY CHAMBERLIN

SUPPOSE that a primitive tribe in a distant jungle had forgotten the secret of how to make fire. Suppose the tribesmen were groping about with one experiment after another, trying desperately to regain the lost secret. There, in a nutshell, one would have a clue to much that has been going on in the Soviet Union before and since the fall from power of Nikita Khrushchev last October.

Anyone who has followed Soviet developments in the speeches of Soviet leaders and in Soviet newspapers and magazines during the last few years must be impressed by the amount of attention devoted to failings and breakdowns in the management of industry and agriculture. Khrushchev made one experiment after another. First, he set out to decentralize the cumbersome state economic bureaucracy that tries to run the national economy. Then, finding that the decentralized local "councils of national economy" were trying to keep for themselves more than their proper share of the available resources, he lurched uncertainly back to new methods of central direction. He was never able or willing to admit that the root of the trouble is in the sys-

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tem itself, not in this or that detail of administration or organization.

Khrushchev followed the same pattern in agriculture, regarding which he imagined himself a special authority. In his last years of power he was continually rushing about the Soviet Union, hauling local officials over the coals, issuing a stream of new recommendations and orders. In 1958, when good weather gave the Soviet Union a record harvest, the bouncy extrovert believed he had the farm problem licked. He began to boast that the Soviet Union would soon pass the United States in per capita output of meat and dairy products – a boast which inspired considerable skepticism in all who have lived and traveled in both countries.

But there was a very different story in 1963 when the Soviet Union was saved from hunger, if not actual starvation, by purchasing millions of tons of grain from the United States, Canada, and Australia. The other communist giant, Red China, found itself under the same necessity. A joke began to circulate about Khrushchev that he deserved a Nobel Prize in agriculture. He had planted grain in Russia and harvested it in America.

Although political change in the Soviet Union is enveloped in a thick cloak of secrecy, it seems probable that economic failure ranks high among the reasons why Khrushchev had to go. For seven years he had stood on the pinnacle of Soviet power; he had been given his opportunity to make good on Stalin's old prediction that the Soviet Union would overtake and outstrip the leading capitalist countries, including the United States. (This boast elicited a private joke overheard by a number of foreign travelers in Russia: "We shouldn't get too far ahead or they will see we have nothing on our behinds.")

Standard of Living of Soviets Still Low by Comparison

There is a mountain of evidence to show that the Soviet standard of living today, with the fiftieth anniversary of the communist revolution less than three years off, remains abysmally low by comparison with the United States or most countries of Western Europe or even some of the Soviet satellite states in East Europe. Two recent news items may suffice. Here is an excerpt from the British *New Statesman* of October 23, 1964, written by a correspondent on the spot about living conditions in Moscow. (*The New Statesman* is a magazine of strongly socialist sympathies and, although not communist, cannot

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be accused of bias against the Soviet regime.)

"Russia is still the only major world power which cannot provide an adequate supply of fresh milk, eggs, fresh fruit and vegetables for its population. Distribution is still shocking. The quality of the meat usually makes it fit only for stewing. The waiting time for a telephone is from three to five years, depending on where you live. Buses, trains, and the underground are hopelessly overcrowded at most times of the day, making traveling to work and back much more of a nightmare than the rush hour is in London. Laundries and shoe repair shops perpetually ruin or lose things and the consumer has little redress. The housewife has fewer labor-saving devices than anywhere else in the rest of Europe, although a great number of women go out to work."

Item Number Two: Radio Liberty, which broadcasts in Russian and other languages of the Soviet Union and monitors Soviet broadcasts, recently made a calculation of comparative New York and Moscow prices, in terms of working time required to earn this or that commodity. Roughly speaking, the Soviet worker or employee must toil ten times as long as the American for a quart of milk, sixteen times as long for a pound of sugar, ten times as long for a pound of coffee, seven times as long for a pound of pork – and so on through a long list of commodities. And the important considerations of quality and availability are also much more disadvantageous in Moscow than in New York.

What with foreign tourists coming into the country, foreign broadcasts, and a limited number of Soviet citizens permitted to travel abroad, the Soviet citizen is becoming more and more aware of how badly off he is. The old excuses are played out. It is almost twenty years since the last shot was fired in World War II. If, as around-the-clock propaganda assures him, the Soviet economic system is superior to the individualist or capitalist, Ivan Ivanovich, the Soviet man in the street, would like to see a few tangible proofs.

An Urgent Problem

So, as several of their public statements indicate, the front men for the new Soviet regime, Leonid Brezhnev and Aleksei Kosygin, face an urgent problem in creating more tolerable living conditions. And it is in the field of internal economic policy that they have departed most noticeably from Khrushchev policies.

The fallen Khrushchev proceeded on the basis of tightening the control of the local branches of the Communist Party over every

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detail of industrial and agricultural production. These branches were even split up into two departments, one for industry, one for farming. This split has been canceled and present policy is to let the Communist Party stick to the function of providing "general political guidance," leaving tasks of management to the state managerial class. Although the small private plots of land which are left to peasants in the collective farms for individual cultivation produce a disproportionate share of such foodstuffs as poultry, vegetables, and dairy products, Khrushchev had been cutting back on these allotments as a source of capitalist infection. One of the first acts of his successors was to repeal these cuts.

Professor Liberman Proposes Test of Sales and Profits

There now seems to be an intention to try out on a much larger scale the ideas of Professor Yevsei Liberman, of Kharkov University, who has long been advocating a freer hand for the individual enterprise within the general scheme of a state planned economy. Liberman's central idea, as he expressed it in a letter published in *The Economist* of London, is as follows:

"The success of a factory's work is judged, first by how well its wares sell, and, second, by the profit level."

Formerly, the state planning agencies tried to dictate every detail of factory production and sales. This proved especially unworkable in the consumers' goods industries and created a temptation to fulfill the plan figures at any cost, paying little regard to quality or consumer desire. Now, the clothing industry and perhaps some others turning out consumer goods will experiment with the Liberman method, which will attempt to test genuine efficiency, not simply to produce a given number of units of this or that product. Many examples of the disastrous results of this latter method appear in the Soviet newspapers. So one can learn from *Pravda* – official organ of the Soviet Communist Party, which in this case was living up to its name, "Truth" – that every television set purchased by Muscovites in the first half of 1960 had been repaired at least twice; that the "Saratov 2" and "Dnieper" types of refrigerators were useless; that the shoe factory at Chernovtsy, in the Ukraine, had piled up 40,000 pairs of children's shoes that no one wanted to buy.

Equally instructive are the woes of one Mr. Kamenev, general manager of GUM, the department store in Moscow which is the big-

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gest establishment of its kind in the Soviet Union. In a letter to *Izvestia,* another leading Soviet newspaper, he stated that during the previous year he had sent more than 100,000 letters of protest, complaint, and advice to the industries supplying his store, without receiving a single reply. In the overcoat department alone the unsalable stock had reached a value of 30 million rubles (nominally a slightly larger sum in dollars).

A hat factory with the martial name of Krasny Voin (Red Warrior) turned out every year 150,000 hats, all black and unacceptable in shape, and GUM lost a million rubles trying to sell them. When an inquiring reporter from *Izvestia* got in touch with the manager of the Krasny Voin, he received a standard reply in such circumstances: "We have fulfilled the production plan; the rest doesn't concern us."

To anyone who, like the writer, has lived for a considerable time in the Soviet Union, these complaints are a very old story. For, although criticism of the basic dogmas of Marxism and communism is strictly forbidden, Soviet citizens are permitted and even encouraged to blow off steam denouncing cases of poor quality and inferior service. But the psychological satisfaction of blowing off steam is about all they accomplish. For the automatic remedies which prevent the existence of such conditions in a free enterprise system – market pricing, competition, the penalty of bankruptcy for firms which fail to meet customers' requirements – have been entirely absent under the Soviet command economy. So far, the industrial manager there has been able to "get by" merely turning out an arbitrarily set figure of units of production, quite regardless of quality, durability, and general satisfactoriness. The Liberman proposals, which have been debated for years, represent an effort to inject something of these missing elements into the Soviet productive scheme.

Authority Without Responsibility

Whether the normal techniques of private capitalism can work within the strait jacket of a state-owned, state-controlled economy remains to be seen. On this question Mr. Henry Hazlitt ventures a pessimistic forecast in his recent book, *The Foundations of Morality*: "If I am a government commissar, selling something I don't really own, and you are another commissar, buying it with money that is really not yours, neither of us really cares what the price is."

But what is significant is that Khrushchev during his time of

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power, and now his successors, recognized that some dynamo was lacking in the Soviet system of production and groped around as desperately as one might imagine primitive tribesmen doing who had forgotten how to light their campfire. This same trend is noticeable in the Soviet satellite states of eastern Europe, especially in Czechoslovakia, where a rigid planning system led to such a breakdown that a radical reorganization of the whole system of production and distribution is under way.

Conditions for Progress

To ignite fire or, to drop the figure of speech, to make a modern industrial and agricultural system function at high efficiency, the following elements are essential: the right to earn and inherit property, the payment of differential incentive wages for superior skill and diligence; the right to operate a business for profit – or loss; the existence of a free market to determine the value of what is being produced; a sound, freely exchangeable currency; and a competitive system as the surest and least painful guaranty of standards of quality and efficiency. When Lenin and his followers took over power, profiting by the chaos and disorganization of Russia, following years of costly warfare and the collapse of the traditional Czarist system, they threw over all these proved foundations of a productive economy and instituted what later became known as a system of war communism.

All forms of private ownership for profit were abolished; the state undertook to run the entire economy; money practically lost all value; it was meager ration that counted, not the pay in increasingly worthless paper rubles. Some of these changes were in line with communist ideology; others were forced on the regime by the exigencies of prolonged civil war.

The ultimate result was what even communist economists recognize as one of the most formidable breakdowns of production in world economic history, with industrial production falling to 20 per cent, farm output to about 50 per cent of normal. In 1921 there was a prodigious famine which took millions of lives and would have taken millions more if it had not been for the large-scale supply of food by Herbert Hoover's American Relief Administration and the smaller contributions of many other foreign humanitarian organizations.

By this time Lenin realized that something had to be done, and quickly, if the whole Soviet sys-

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tem, which had won the civil war against the divided and poorly organized resistance of the anti-communist forces, was not to founder as a result of complete economic paralysis. He came up with what was known as the NEP, or New Economic Policy, of which one important feature was the substitution of a fixed tax for the former policy of requisitioning whatever the government judged was the peasant's surplus foodstuffs – a policy that produced more peasant uprisings than food. At the same time private trade was legalized and a regular wage system replaced the payment of wages in kind. Small industries were again permitted to function. Considerable inequalities in compensation were permitted and there was an attempt, not always successful, to keep the ruble currency fairly stable in terms of purchasing power.

Spectacular Results

The results of this lukewarm, halfhearted return to capitalism were spectacular, comparable with what happened in Germany after the mark was stabilized in 1948 and Economics Minister Ludwig Erhard made a bonfire of price and wage controls and told his countrymen it was up to them to improve their war-shattered standard of living by intelligent hard work. In both cases there was an almost miraculous appearance of goods and foodstuffs; hope replaced despair, with bustling activity instead of bleak stagnation.

But, while Germany went from success to success on the pathway of full capitalist restoration, Josef Stalin, after getting a firm grip on the levers of power, proceeded to liquidate the NEP, abolishing private trade, forcing the peasants, with the most ruthless methods of compulsion, to give up their small private holdings and work in big state-controlled collective farms, imposing on the country all the rigors of a command economy. Stalin's goal was a swift build-up of the heavy industries and the war preparedness of the Soviet Union; and he succeeded – at the price of millions of human lives and a reduction of his subjects to a bleak, drab standard of living. He kept the personal incentive system in wages and salaries and he abolished some of the more foolish early ideas of the Revolution, highly permissive methods in education and preference in admission to universities for applicants of working-class origin. But he based the Soviet economic system on a foundation of hideously exploited and maltreated slave laborers. And the nominally free workers in factories and offices were forbidden to

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change jobs without permission and were subject to imprisonment for tardiness or absence.

The Missing Spark

After the grim dictator's death in 1953 there was an easing of his more ruthless measures. Many of the victims of his slave labor camps were released and conditions in the camps were somewhat humanized. Slave-driving methods in the factories were relaxed. The peasants, who had been the low men on the Soviet totem pole, as they had been, indeed, throughout Russian history, were given a little more incentive.

Yet some essential sparkplug was lacking; and this fact became clearer as the Soviet economy became more complex. It had been comparatively easy to set a few simple goals: so much steel, coal, oil, and the like, although agriculture lagged badly as a result of the destruction of the peasant's old incentive of personal ownership of land. There were years under Stalin when the output of farm products was little more than it had been before the Revolution, despite the growth of population and the large injection of tractors and other modern machinery.

Somehow, the secret of fire had not been rediscovered and the groping for new methods of stimulating productivity under Khrushchev and under Khrushchev's successors let some curious skeletons out of the cupboard. It is obvious from the most orthodox Soviet sources that the national economy has bent, almost to the breaking point, under a crushing load of competing and often conflicting bureaucratic planning instructions. About the end of 1964 a deputy in the Supreme Soviet (parliament) cited the case of the Izhora factory, which received seventy different official instructions from nine state committees, four economic councils, and two state planning committees, all authorized to give orders.

Some of the grotesque things that have been happening would have defied the imagination of the great Russian satirical humorist Gogol. There was, for instance, a chandelier factory where the workers were paid higher bonuses for turning out heavier chandeliers. The upshot was that they produced chandeliers that pulled down the ceilings.

Small wonder that Yevsei Liberman and other would-be reformers are getting a hearing. Yet the pull of communist dogma and of the vested interests in maintaining the old system of bureaucratic controls should not be underestimated. Once a machine of bureaucratic planning is set up, disentanglement becomes as difficult

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as for a fly to extricate itself from flypaper. It is still far from certain, given the Soviet political and ideological system, that its rulers will succeed in relearning the secret of fire.

However this may be, two conclusions seem to be in order. The first is that the Soviet Union is not and never has been and never will be under its present economic system, a serious challenger to the United States, or to any advanced industrial country, in terms of achieving a high standard of everyday living. The Soviet system makes possible successful concentration on costly stunts in space, of which the practical value is extremely dubious. It does not make possible the assurance of an all-around high and rising standard of living.

Second, we can see today a new illustration of the truth of Oxenstierna's maxim: With how little wisdom the world is governed! Just when state economic planning, pushed to extreme lengths in the Soviet Union, is emitting sounds that suggest a death rattle, the people of Great Britain, by a very narrow margin to be sure, have entrusted their government to a party which holds up the planning of productivity and the regulation of individual incomes as Alpha and Omega of progress and economic wisdom. ◈

IDEAS ON LIBERTY

Necessarily Inefficient

EVERY GOVERNMENT activity is delayed and directed by hundreds of democratic checks and balances. Economically, this is necessarily inefficient. But the preservation of freedom requires us to keep these checks and balances, even though the *cost* of government services and production is thereby greatly increased.

Inefficiency in government is the price we pay for liberty. If, in an attempt to make our government more efficient, we undermine the cumbersome checks and balances and divisions of power specified in our Constitution, liberty will disappear in the United States.

DEAN RUSSELL

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BEANS

AMIDST the books on the shelves of an acquaintance of ours, whom we know to be a man of refined sensibilities, we found to our astonishment a squat, homely can of beans. Ordinary pork and beans. Here was a mystery – what could possibly have moved our friend to place such an humble object among his less earthy volumes. A moment of insanity? Never. Hunger? Impossible. It was hard to push back the suspicion – had he had some didactic purpose in mind? What, indeed, can one learn from a can of beans?

It was a preposterous object, and irksome. A mere fleck of chaos in the otherwise impeccable surroundings of a civilized man. We tried to ignore it, but tension grew between us and that smug, disorderly tin. Curiosity overcame reticence; we picked it up furtively and turned it this way and that, hoping to divine its secret. It yielded none, for it was, after all, just a can of beans.

What can one learn from a can of beans? It has no poetic qualities to speak of, and is smaller than a breadbox. A symbol of the masses, perhaps, focusing their aspirations for material betterment with nature's parsimony? Dubious. Then we noticed the price: seven cents. Curiously low; was it some sort of novelty in the age of clipped coinage? What an enormous quantity of materials, tools, steps, services, and knowledge went into the production of the can: iron from the Mesabi, mined, shipped, refined, cast, stamped, rolled, shaped, coated with tin from Bolivia; paper label, a product of an entire industry, printed and dyed by two more; the beans themselves, and the pork, and sauce, raised, shipped, prepared, finally canned. Almost uncountable processes of production, transportation, and marketing set into motion to disgorge the can. No one man or one hundred men had all the knowledge necessary to produce it, and yet it appeared – for seven cents. An excellent symbol of the interdependence of economic effects on the market. As we thus pondered, can of beans *flagrante delicto* in the hand, our friend entered the room.

"Rather the essence of social co-operation," we said, replacing the can to the shelves.

"Just so," he said, unperturbed. "Just so." ◈

An editorial from the March 1962 issue of *Insight and Outlook*, a conservative student journal published in Madison, Wisconsin.

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THE COIN OF FREEDOM

D. M. WESTERHOLM

MY 12-YEAR-OLD SON looked up rebelliously from a flower bed he was weeding, his face flushed with exertion and firm intent to speak his mind. "The other kids don't have to weed flower beds. They're out playing baseball, and I don't think it's fair that I can't go, too!"

"Well, son," I said quietly, remembering earnest rebellions of my own childhood, "you did agree that you would do this chore each week. You said that you wanted to do your part to help the family; and you were mighty happy to earn some extra money, too. Right?"

"Sure, mom," he nodded impatiently, "but not when the guys need me to play shortstop!" And he gave me a look which spoke eloquently of a 12-year-old's opinion of such obviously unfair tactics as reasonableness and logic.

This seemed to be the proper moment to give my lad a small (and somewhat sneaky) gift which we had acquired for just this sort of situation.

He reacted with cautious interest when I returned from the house and handed him a tiny box. Scrubbing his earth-stained hands on his pants, he opened the box and took out a silver disk about the size of a 50¢ piece, and slowly turned it over and back again. On one side was engraved the word *FREEDOM;* on the other side the word *RESPONSIBILITY*.

He studied the shining coin for awhile, and then grinned with

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elaborate mock resignation. "Guess there's supposed to be a lesson here, hmm?"

"Maybe," I smiled. "Know what it might be?"

He thought a moment and then ventured: "Could be that if I want the 'freedom' to play baseball, I ought to take care of my 'responsibility' for the weeds, first?"

"Could be," I nodded. "Maybe if you keep that in your pocket it might help explain some other things, too, as time goes on. Freedom always has that other side. Freedom of speech carries with it the responsibility not to malign or slander another by your speech, for instance. It isn't a true coin without both sides – just a counterfeit."

The Cat stuffed the coin carefully into his pocket and said a bit ruefully, "Oh, well – I guess some guys do carry good luck pieces!"

I grinned back at him. "You might find that this one can be a real 'good luck piece' if you use it to help yourself *think*."

"Mothers!" he muttered – but he was smiling as he resumed his weeding.

An Important Lesson

An unimportant little episode? Not at all. There was an extremely important basic concept involved here; and this was one step we were taking to try to teach it to our oldest child. The relationship between freedom and responsibility is one that has been essential to the formation and growth of this nation. It must be a balanced, equal relationship if the value and strength of either is to be maintained – let alone increased. This relationship is also one which can only be maintained by individuals; for to attempt to delegate or refuse to accept individual responsibility is to lose freedom proportionately – not only for oneself but for all others as well. One cannot legislate away the burden of responsibility without also automatically legislating away an equal degree of personal control – and "personal control" is simply another way of saying "freedom."

It is easy to understand a threat to freedom when it is a matter of someone bursting over the horizon, shooting up the town, and killing or capturing the citizens. It is easy then to understand and recognize the need for assuming immediate personal responsibility for the safeguarding of one's freedom. It is far more difficult to recognize a threat to freedom which comes gradually, insidiously, and through legalized peaceful means, enacted by our own people and loudly claimed to be "for our own good." But the threat is just as real in either case!

A long careful look at the condi-

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tions under which we now live in this greatest citadel of freedom will disclose an amazing lack of personal freedom, compared with the degree we once had. There is literally no phase of living which is not controlled in one way or another by some branch of the state – from the moment we bite into our breakfast toast (made of parity-priced wheat, and spread with price-controlled butter) and send our children off to school (to compulsory attendance, usually at a government-controlled school) and draw our paycheck (upon which all sorts of compulsory deductions have already been levied and withheld) and drive home (on multi-billion-dollar tax-built roads) to a rent-controlled or government-subsidized dwelling – and so on and on and on.

Our Sad Departure

When we speak, rather smugly and complacently, about our revered American heritage of individual freedom, we are *not* speaking of our present way of life. When we, step by step, legislated away our personal responsibility to handle the various problems of living, just so, step by step, we departed from that heritage of freedom. Granted, many so-called "benefits" have been gained – degrees of material security from birth to death – but at what a price! The price is not only in terms of lost personal freedom – seldom missed until it is gone entirely – but also in more easily understood terms of dollars and cents.

Bureaucracy has always been a most expensive method of accomplishing anything, in contrast to the accomplishments of free competitive enterprise. A glance at our soaring national debt, the rate of inflation, the tax burden, should demonstrate quite clearly this hard dollars-and-cents price.

But there is another price we are paying, the disastrous price of gradual, inevitable loss of individual initiative and integrity – the loss of the individual *sense* of responsibility. Without these traits, respected and put into practice, we cannot hope to regain personal freedom and all it entails. Without these traits, we face deeper and deeper immersion into a collectivistic way of life.

Under any socialized scheme, there is less and less material or psychological incentive to attempt to develop the creative ability necessary for progress. Where is the incentive to excel, individually, under a system which guarantees the same benefits to all, regardless of effort or ability? Also, moral integrity is inevitably lost when the whole societal emphasis is on delegating personal responsibility and

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placing it in the hands of the impersonal state. Moral integrity is a matter of individual growth, and cannot be legislated into existence.

Now, if we adults of this generation are practicing less and less personal responsibility, then we probably are teaching and emphasizing this trait less and less to our children. It seems reasonable that children thus untrained in the importance of initiative, integrity, and responsibility would certainly be apt to demonstrate less respect for others, less respect for property rights, less respect for the laws which were established to protect these rights, and less respect for the social courtesies. The term is "juvenile delinquency."

By the same token, children who have been taught respect for the rights of others, and have learned self-respect through initiative and achievement, are more apt to enter adulthood better prepared to enrich and enjoy their own lives and to help stem the tide of collectivism sweeping our country.

Most of us will quietly continue to try to teach ourselves and our children to understand freedom, to search after knowledge and wisdom, to love our Creator, to respect all men – and ourselves; to attempt to improve ourselves at all times, and to take humble pride in creative accomplishment. We will try to teach our children and ourselves that freedom must be *earned,* and guarded carefully; that it is a *privilege* which carries with it a real and continuous *responsibility.*

We will try to remember that these are *learned* concepts – not instinctive knowledge; that especially in this socialized society in which we live it is necessary to *teach* these concepts, deliberately and carefully, if we hope to prepare our children to face adult situations and problems in a capable and responsible manner.

And so, in our family, as an aid to learning, we each carry a small coin. One side says *FREEDOM.* One side says *RESPONSIBILITY.* We call it the coin of freedom. ◈

IDEAS ON LIBERTY

What's the Difference?

IF IT IS WRONG for a politician to buy votes with his own money, what makes him a great humanitarian to be backed by the churches when he buys millions of votes with other people's money? Is bribery in the one case right and the other wrong? If so, what makes it so?

THE REV. KENNETH W. SOLLITT, *Four Foundations of Freedom*

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SUPPOSE that an entrepreneur with a sense of scenic beauty builds a million-dollar motel on the downstream side of a dam that harnesses a wild river for the needs of man. Shall the dam's owners, by reason of that motel, henceforth claim credit for $1 million of annual flood damage prevention, and thereby justify further investment in the dam?

The Tennessee Valley Authority seems to figure that way. From the *Report of the Chief Engineer for 1963* we find that "at June 30, 1963, the estimated cumulative benefits from flood regulation of the Tennessee River system amounted to $461 million. The total TVA investment allocated to flood control was $184.8 million, and the cumulative expense of the flood control program was $53.1 million." (p. 90)

The annual flood damage figure is calculated with the help of an appraisal curve that shows the recorded floods and the economic damage they would do if they occurred today without regulation by TVA dams. Every few years the curve is lifted to reflect new construction and higher values. Thus, the curve informs us that, according to 1961 values and state of development, damages averted in fiscal year 1963 amounted to some $113 million at Chattanooga and other locations at the Valley and to $4 million along the lower Ohio and Mississippi Rivers. Thus, multibillion-dollar spending by the Federal government is "justified."

The 1963 edition of *Facts about TVA Operations* further reveals that "the Federal government is sole proprietor of an electric system which at the end of the fiscal year 1962 had a net worth of $1.8 billion, well over half a billion more than the $1.2 billion Treasury investment in the system." (p. 2) The adjoining income statement reveals a net income of $56.2 million for 1962, and $51.6 million for 1961.

Let us assume that this net income figure is correct, although the statistical and bookkeeping procedures cast grave doubt on its reliability. Every student of accounting and every investor knows that the capitalized value

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of a company with $56.2 million net income usually is less than $1 billion. Even with an assumed yield as low as 6 per cent, the market value of the TVA power system would be only $937 million. Yet, bear in mind that TVA's total investment for all programs amounts to $2,581 million, including a "nonpower investment" of $652 million. (p. 2)

A bit later in the same report we find that "in the Tennessee Valley the operating costs per kilowatt-hour for producing, transmitting, and distributing electricity are about half the average for the Nation's private utilities. *These costs are unaffected by taxes and interest* – factors sometimes given as the reason why rates are low in the Tennessee Valley." (p. 5, italics added)

The preceding page, however, had seemed to say the very opposite in enumerating the TVA benefits to the Federal government: "Despite the fact that most of the power systems in the Tennessee Valley region are exempt from Federal income taxes, the total financial benefits the Federal government receives from power operations are probably greater in this area than any other. Nearly half of all the power TVA sells goes to agencies of the Federal government, primarily the atomic energy plants at Oak Ridge and at Paducah. TVA's low rates, and the exemption of these Federal power sales from taxation by the states and counties of this region, result in large savings to the government and to taxpayers in all parts of the Nation who support these agencies." (p. 4)

Taxes and Costs

But the main reason for TVA's low operating costs, we are told, is yet another: the wisdom of its managers to charge low rates which in turn reduce costs! Here is the explanation by TVA's Director of Information: "The region does, of course, have low-cost hydroelectric power. And large amounts of coal in or near the area. But more important are the economies that TVA and the distributors accomplish through the mass production that is achieved by giving primary concern and constant attention to keeping rates as low as possible to

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encourage the widest and most abundant use of electricity. It is generally accepted that low costs can produce low rates. The opposite also is true: low rates can produce low costs." (p. 5)

There follows a table of comparison of TVA costs with investor-owned utilities. In operation and distribution TVA costs are said to be 45 per cent of investor-owned utilities; in transmission and distribution, 35 per cent; in collection and customers accounting, 30 per cent; sales and demonstration, 25 per cent; administration overhead, 30 per cent; and finally, depreciation, 70 per cent. Altogether, TVA claims to operate at 45 per cent of the costs of investor-owned utilities.

To discover what accounts for this amazing comparison, we must understand the TVA method of cost allocation. TVA announces construction of "multiple-use dams" and then charges 22 per cent of the construction costs and 27 per cent of its common costs to "navigation," 14 per cent of construction and 31 per cent of overhead to "flood control," and only 64 per cent and 42 per cent respectively to "electric power." (p. 10)

Investor-owned companies, however, have no way to remove millions of dollars from cost accounting. They build dams whose purpose is flood control, and yet every penny spent constitutes power cost.

"A Competitive Challenge"

This competitive challenge to individual enterprise is emphasized throughout the pages of *Facts about TVA Operations*. The following passage is indicative: "The effects of competition by comparison are apparent beyond the limits of the Valley region. Adjacent utility companies found that rate reductions which they initiated because of TVA's influence helped to bring rapid increases in the home use of electricity. The closer private utilities are to the Valley area the lower their residential rates tend to be. Similarly, rural electric cooperatives pay lower wholesale rates for electric power the closer they are to TVA and to the most nearly comparable other area, the Pacific Northwest. Federal Power Commission figures show that the private utilities have been helped, not hurt, financially by low-rate policies. The common stock earnings of all the large privately owned utilities in the U. S. multiplied about 4 times in the years 1937 to 1960; in the same period, nine large private companies adjoining the TVA area multiplied their common stock earnings more than 10 times." (p. 7)

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The truth is that in recent years most privately-owned utilities have reduced their rates because of improved technology and rising productivity. Even in states where coal, oil, or gas have remained the most economical fuel, electricity has become an effective competitor. And it should not be surprising that despite such rate reductions, most utilities now show higher earnings than prevailed in the depression years of the late thirties. Yet, TVA would take all the credit!

Perhaps the most enlightening of all the *Facts about TVA Operations* is to be found in the concluding passages. While the report claims exceptionally economical operation in all TVA endeavors and thus "justifies" the Federal expenditures through extraordinary returns and benefits, it concludes that the Tennessee Valley is entitled to this expenditure in the distribution of Federal funds. Why should New York, Pittsburgh, California's Central Valley enjoy Federal funds, and the Tennessee Valley be without them? In fact, the Tennessee Valley is said to have received less than its proper share in the redistribution of wealth and income. "Is it fair," the report asks rhetorically, "that such states as Texas, Oklahoma, and Louisiana should enjoy low-cost gas and oil, simply because their states are richly endowed with such resources, while people farther away must pay more dearly?" (p. 14) This, presumably, is why the people of the Tennessee Valley deserve TVA. The principle of sharing-the-wealth through redistribution could not be stated more succinctly. ◈

Socialized People

IN THE FINAL ANALYSIS, this study concerns *persons*, and not *things*. When we speak of the socialization of the electrical industry, we are, of course, referring to persons. Electricity doesn't care who or what produces it. In a like manner, when we speak of controlled production or controlled prices, we really mean controlled persons. Under a controlled economy, it is *persons* – not *things* – who are told by government what they must or must not do. This coercion of individual citizens is the vital issue. And in the long run the individual consumers of electricity have just as much at stake in this matter as do the private producers of electricity.

DEAN RUSSELL, *The TVA Idea*

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a Better Answer

IF READERS will pardon the pun, Paul Goodman, the author of *Compulsory Mis-Education* (Horizon Press, $3.95), is a really good man. But, as we shall see, he mistakes his natural friends for enemies, and he ends up by becoming lost between the two big camps that are contending for the control of the American educational system.

Being a man who can use his eyes and ears, he knows that the country is not getting its money's worth for the fantastic sums that are being spent on education. Great funds go to support scientific research, but in the past thirty years the average number of hours per week spent in classroom work by science teachers has dropped from nineteen to six. In huge educational factories such as the University of California at Berkeley a common complaint is that a professor never really sees a student's paper; it is usually read by a paid student reader who may or may not know what he is about. Yet a retired California English professor, George Stewart, who is a fine novelist and historian, insists that the ratio of teachers to students at Berkeley is not bad; students can get counsel and aid if they really ask for it. We must look elsewhere for the source of what is called the alienation of the student from the faculty. Hugh Kenner, who teaches at another branch of the University of California, the one at sun-drenched Santa Barbara, says the trouble with American education is that our schools and colleges are filled with boys and girls who should not be forced to hang on in hopes of getting degrees. They are there merely to mark time, and they keep real students from learning. In short, we need more dropouts, not fewer.

Paul Goodman agrees with Hugh Kenner that a "reasonable

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social policy would be not to have these youth in school, certainly not in high school, but to educate them otherwise and provide opportunity for a decent future in some other way." The practical argument against such a social policy is, of course, that you have to have a degree – even an advanced degree – to hold down any sort of good job. Paul Goodman doesn't doubt that this is true, but he says it is a ridiculous state of affairs that is maintained by the stupidity of those in charge of hiring for big corporations. Naturally, he says, if a corporation insists that a youngster have a diploma, the correlation of schooling and employment is self-proving. Actually, the spread of automation means that most jobs are of such a nature that they can be done by people with no long background of schooling. The average job in General Motors' most automated plant, he says, requires only three weeks of training for people who have had no education whatever. And in the Army and Navy, complicated skills, such as radar operation, are taught on the job, sometimes to virtual illiterates.

A Problem of Degrees

Why, then, the rage to keep Johnny in school until he is twenty-two, or even twenty-five? Paul Goodman suspects that it is because the unions don't want Johnny coming on the labor market as a teenager. He is obviously right about the unions' desire to limit the available work force, but this is not the primary reason for our national insistence on years and years of formal schooling. Mr. Goodman is closer to the mark in another context, when he talks about the "mass superstition" cultivated by our "school-monks," by which he means our "administrators, professors, academic sociologists, and licensees with diplomas who have proliferated into an invested intellectual class worse than anything since the time of Henry the Eighth." It is the "school-monks" who have set themselves up as "indispensable mentors for creativity, business-practice, social work, mental hygiene, genuine literacy – name it, and there are credits for it leading to a degree."

Because of our insistence on educational scaffolding and trappings and the parchment evidences of having spent time in school, the self-made man is becoming an impossibility in America simply because he is an "out" before he can even make a start. Mr Goodman recalls the time when the ninety-four per cent of Americans who did not finish high school were our future farmers, shopkeepers, millionaires, politicians, inventors,

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and journalists. He speaks of "two master architects" who were born around 1900. One quit school at the eighth grade to leave home and support himself in an architect's office as an office boy. The other left school at age thirteen to support his mother by working for a stone cutter. "Would these two have become architects at all," so Mr. Goodman asks, "if they were continually interrupted by high school Chemistry, Freshman Composition, Psychology 106, at a time when they didn't care about such things?" Then he adds, "But they have learned them since, nevertheless."

"Shoot If You Must . . ."

This sort of plain speaking is iconoclasm with a vengeance. But Paul Goodman isn't really advocating a return to the old world that did not require a degree before a boy could get a job as a draftsman in an architect's office. In the old world children got solid drilling in such things as phonetics in the early grades, they read literature that provided them with some background of history ("Paul Revere's Ride," "Barbara Frietchie," and so forth), and they were permitted to work at a young age without having the policemen of the child labor and minimum wage laws descend upon them. Paul Goodman, as a believer in the doctrines of John Dewey, denounces the "Rickovers and Max Raffertys" who would restore both discipline and intellectual nourishment to the first years of schooling. This doesn't make much sense, for Max Rafferty is one of our most effective enemies of the very "life adjustment" fetish that Paul Goodman himself deplores for its accent on "conformity." It also ignores the probability that there was a definite correlation between the type of education that one got in the grammar grades in pre-Deweyan times and the great efflorescence of self-made men that, among other things, produced Paul Goodman's two favorite architects.

Learning by Doing — But Doing What?

The great paradox is that the nineteenth century, which really believed in "learning by doing," got along without John Dewey (or John Dewey's far more benighted successors), while the twentieth century, which has gone in heavily for "progressive" education, is producing students who can't "do" a coherent outline in a freshman college course. The old world was better: concentration on basics for a few years, then the "learning by doing" that went with actual experience in the world of affairs.

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Mr. Goodman wants to simulate that old world of affairs by big spending in the "public sector," which would provide "educational occasions" for youths who could be put to work "on town improvement, community service, or rural rehabilitation." Somehow one doubts that "public sector" experiences would help very much. Mr. Goodman himself mentions the fact that "the professor-ridden Peace Corps needs $15,000 to get a single youngster in the field for a year, whereas the dedicated Quakers achieve almost the same end for $3,500." And "again, when $13 millions are allotted for a local Mobilization for Youth program, it is soon found that nearly $12 million have gone for sociologists doing 'research,' diplomated social workers, the N.Y. school system, and administrators, but only one million to field workers and the youths themselves."

Paul Goodman seems to be caught in a major contradiction here. He hates what the exaltation of the "official" has done to our world. Yet his cure is to hand over more money to the state, which is always "official," to provide opportunities for experience and spontaneity to youths in some ill-defined outside-of-school schooling. The contradiction mars what is otherwise a most stimulating book. ◈

▸ A THEOLOGICAL INTERPRETATION OF AMERICAN HISTORY by C. Gregg Singer, Philadelphia: Presbyterian and Reformed Publishing Co., $4.95, 305 pp.

Reviewed by Robert M. Thornton

SOME who read this book may not find Dr. Singer's theology entirely acceptable, but it would be hard to disagree with his statement that "it is impossible to understand completely the history of a nation apart from the philosophies and the theologies which lie at the heart of its intellectual life." These constitute the basic premises on which people act.

Dr. Singer contends that the history of this country since its early days reflects the drastic changes in its prevailing world-view from Puritanism through Deism, Transcendentalism, and Unitarianism, to Social Darwinism and the Social Gospel. Man, not God, comes to occupy the center of the universe, so it follows that man, now the master of his fate, can create a utopia here and now. The Kingdom of Heaven, brought to earth, becomes the goal of politics, and there is a growing acceptance of the belief that "government is responsible to people rather than to God and that law is little more than the embodiment or expression of the will of the majority." Hence man, for-

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getting he is a creature of God, lets himself become a minion of the state. Statesmanship neglects principles and becomes the art of compromise or the art of the possible.

Dr. Singer's book is an urgent warning to check our premises lest the political and economic order that has made this country free and prosperous crumble to the ground because its theological and philosophical foundations have been eaten away. ◈

IDEAS ON LIBERTY

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As described by Secretary of Treasury, Robert B. Anderson, April 4, 1959

NOW SUPPOSE I wanted to write checks of $100 million starting tomorrow morning, but the Treasury was out of money. If I called up a bank and said, "Will you loan me $100 million at 3½ per cent for six months if I send you over a note to that effect?" the banker would probably say, "Yes, I will."

Where would he get the $100 million with which to credit the amount of the United States Treasury? Would he take it from the account of someone else? No, certainly not. He would merely create that much money, subject to reserve requirements, by crediting our account in that sum and accepting the government's note as an asset. When I had finished writing checks for $100 million, the operation would have added that sum to the money supply.

Now certainly that approaches the same degree of monetization (creating money) as if I had called down to the Bureau of Engraving and Printing and said, "Please print me up $100 million worth of greenbacks which I can pay out tomorrow."

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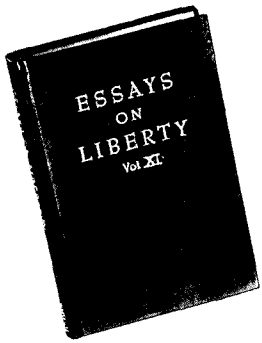

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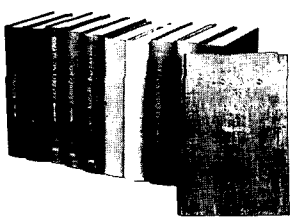

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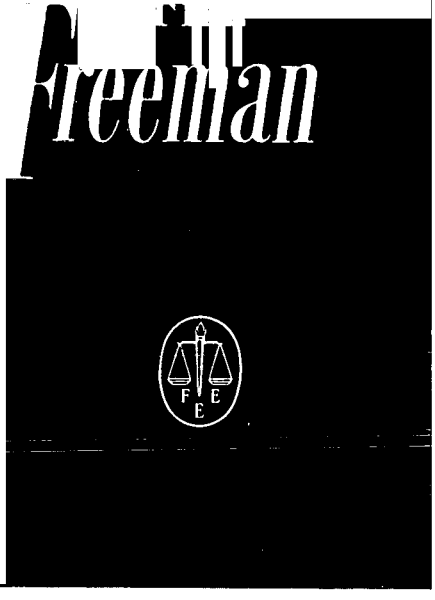

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■ "Ah," the Lord said, "you do not get the point. There is a Remnant there that you know nothing about. They are obscure, unorganized, inarticulate, each one rubbing along as best he can. They need to be encouraged and braced up because when everything has gone completely to the dogs, they are the ones who will come back and build up a new society; and meanwhile, your preaching will reassure them and keep them hanging on. Your job is to take care of the Remnant, so be off now and set about it."

From the essay by ALBERT J. NOCK, a copy of which is available on request.

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